City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Wednesday, June 05, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

Supervisor Ammiano appointed himself to serve as a member of the Finance Committee.

MEETING CONVENED

The meeting convened at 12:37 p.m.

020634 **[Japan Center Garage Public Parking Lease]**

Resolution approving the proposed new Japan Center Garage Public Parking Lease by and between the City and County of San Francisco and the City of San Francisco Japan Center Garage Corporation. (Parking and Traffic Department)

4/18/02, RECEIVED AND ASSIGNED to Finance Committee.

5/29/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ronald Szeto, Acting Director, Parking Authority; Rob Eshelman, Legislative Aide to Supervisor Gonzalez; Steve Nakajo, President, Japan Center Garage Corporation; Richard Hashimoto, Japan Center Garage Corporation; Edward Harrington, Controller.
Continued to 6/5/02.

Heard in Committee. Speakers: Ronald Szeto, Acting Director, Parking Authority; Harvey Rose, Budget Analyst.
Amended on page 1, line 5, and on page 2, line 6, after "Corporation," by adding "effective July 1, 2002."
AMENDED.

Resolution approving the proposed new Japan Center Garage Public Parking Lease by and between the City and County of San Francisco and the City of San Francisco Japan Center Garage Corporation, effective July 1, 2002. (Parking and Traffic Department)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020842 **[Competitive Bid and Prevailing Wage Exemption for Job Training]**

Supervisor Maxwell

Ordinance exempting the San Francisco Conservation Corps from the prevailing wage requirements and waiving the competitive bid requirements for the Recreation and Park Commission's award of a contract for construction of playgrounds, restoration of natural areas and implementation of erosion control measures in San Francisco parks.

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

5/29/02, CONTINUED. Heard in Committee. Speakers: Marvin Yee, Recreation and Park Department; Harvey Rose, Budget Analyst; Anne Cochran, Executive Director, San Francisco Conservation Corps.
Continued to 6/5/02

Speakers: None.
Continued to 6/12/02.

CONTINUED by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020707 **[Appropriating Funding for the District Attorney's Salaries and Fringes from the Reserve for Hanlon Arbitration Award]**

Supervisor Daly

Ordinance appropriating $283,764 from the Reserve for Hanlon Arbitration Award to cover salaries and fringes associated with the MOU with the Municipal Attorney's Association for the District Attorney's Office for fiscal year 2001-02. (Controller)

(Fiscal impact.)

5/6/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Teresa Serata, District Attorney's Office.

RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020794 **[Ellis-O'Farrell Parking Garage Bond Refinancing]**

Mayor

Resolution approving and authorizing the issuance of City of San Francisco Ellis-O'Farrell Parking Corporation Parking Revenue Refunding Bonds to refund in part bonds previously issued by the City of San Francisco Ellis-O'Farrell Parking Corporation; approving a bond indenture modifying the maximum amount of the contingent reserve fund; authorizing and ratifying the execution and delivery of documents reasonably necessary for the issuance, sale and delivery of such refunding bonds; and ratifying previous actions taken in connection therewith. (Mayor)

(Fiscal impact.)

5/13/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Moyer, Mayor's Office of Public Finance; Ronald Szeto, Acting Director, Parking Authority; Mr. Pang; Anson Lee, Manager, Ellis-O'Farrell Parking Corporation.

CONTINUED TO CALL OF THE CHAIR by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020904 **[Water Rates]**

Ordinance approving revised schedule of rates to be charged by the San Francisco Public Utilities Commission for water service to its retail customers inside and outside the City and County of San Francisco. (Public Utilities Commission)

(Submitted 5/22/02. Charter Section 2.109 requires Board of Supervisors approval or rejection within thirty days.)

5/22/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; William Berry, Assistant General Manager for Finance and Administration, Public Utilities Commission.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020905 **[Approval of Contract Assignment and Release of Reserved Funds]**

Supervisor Peskin

Ordinance approving the assignment of existing contract for program management and construction management services in support of the San Francisco Public Utilities Commission's water power and sewer Capital Improvement Program to a joint venture consisting of Jacobs Civil, Inc. and Primus Industries, Inc., and releasing reserved funds.

(Fiscal impact.)

5/28/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Patricia Martel, General Manager, Public Utilities Commission; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020834 **[License Agreement with American Society of Composers, Authors and Publishers]**

Supervisor Daly

Ordinance authorizing the Director of Administrative Services to enter into the Local Government Licensing Agreement negotiated between the International Municipal Lawyers' Association and the American Society of Composers, Authors and Publishers to license music uses by the City under an license subject to automatic annual renewal for an annual Base License Fee plus 1% of revenue from events in which gross revenue exceeds $25,000. (Administrative Services Department)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speaker: Christiane Hayashi, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Absent: 1 - Daly

020851 **[Certificates of Participation to Replace the Existing San Francisco Juvenile Hall]**
Supervisor Hall
Resolution authorizing the execution and delivery of certificates of participation to finance the acquisition, improvement, construction and/or reconstruction of a new juvenile detention facility to replace the existing San Francisco Juvenile Hall; approving the form of a property lease between the City and County of San Francisco (the "City") and a trustee relating to certain City-owned property (as further described in this Resolution); approving the form of a project lease between the City and a trustee (including certain indemnities contained therein); authorizing the selection of a trustee; approving the form of a trust agreement between the City and a trustee (including certain indemnities contained therein); approving the form of an official notice of sale and notice of intention to sell for the certificates of participation; approving the form of an official statement in preliminary and final form; approving the form of a continuing disclosure certificate; authorizing the filing of a validation action validating the execution and delivery of the certificates of participation; authorizing the reimbursement of certain expenditures; authorizing the payment of costs of issuance; adopting findings under the California Environmental Quality Act and findings pursuant to the City Planning Code Section 101.1; and ratifying previous actions taken in connection therewith.

(Fiscal impact.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee. (5/30/02 - Referred to Youth Commission for comment and recommendation.)

5/29/02, CONTINUED. Speakers: None.
Continued to 6/5/02.

Heard in Committee. Speakers: Jesse Williams, Chief Probation Officer; Monique Moyer, Mayor's Office of Public Finance; Gregg Lowder, Director, Mayor's Criminal Justice Council; Jim Queen, African American Police Community Relations Board; Reverend Toni Dunbar, Chaplain, Juvenile Hall; Commissioner Kamel Jacot-Bell, Youth Commission; Kathleen Kelly, President, Volunteer Auxiliary, Youth Guidance Center; Ca Sandra Carter (volunteer at Juvenile Hall); Reverend Alan Jones, President, San Francisco Interfaith Council; Mr. Daniels, Juvenile Chaplaincy Committee; Supervisor Hall; Theodore Lakey, Deputy City Attorney.
Amended on page 1, line 1, after "participation," by adding "in an amount not to exceed $45,000,000."
AMENDED.

Resolution authorizing the execution and delivery of certificates of participation, in an amount not to exceed $45,000,000, to finance the acquisition, improvement, construction and/or reconstruction of a new juvenile detention facility to replace the existing San Francisco Juvenile Hall; approving the form of a property lease between the City and County of San Francisco (the "City") and a trustee relating to certain City-owned property (as further described in this Resolution); approving the form of a project lease between the City and a trustee (including certain indemnities contained therein); authorizing the selection of a trustee; approving the form of a trust agreement between the City and a trustee (including certain indemnities contained therein); approving the form of an official notice of sale and notice of intention to sell for the certificates of participation; approving the form of an official statement in preliminary and final form; approving the form of a continuing disclosure certificate; authorizing the filing of a validation action validating the execution and delivery of the certificates of participation; authorizing the reimbursement of certain expenditures; authorizing the payment of costs of issuance; adopting findings under the California Environmental Quality Act and findings pursuant to the City Planning Code Section 101.1; and ratifying previous actions taken in connection therewith.

(Fiscal impact.)

To Board for consideration on 6/24/02.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020852 **[Accept-Expend Grant from Board of Corrections]**

Supervisors Hall, Leno, Newsom

Resolution authorizing the Mayor's Office of Criminal Justice to accept and expend a grant in the amount of $15,075,000 from the Board of Corrections (BOC) for the purpose of entirely replacing San Francisco's 52 year old juvenile hall with a modern facility that is humane and secure, while increasing its capacity to enhance focus on the rehabilitation of the youths detained there.

5/20/02, RECEIVED AND ASSIGNED to Health and Human Services Committee.

5/29/02, TRANSFERRED to Finance Committee. (5/30/02 - Referred to Youth Commission for comment and recommendation.)

Heard in Committee. Speakers: Jesse Williams, Chief Probation Officer; Monique Moyer, Mayor's Office of Public Finance; Gregg Lowder, Director, Mayor's Criminal Justice Council; Jim Queen, African American Police Community Relations Board; Reverend Toni Dunbar, Chaplain, Juvenile Hall; Commissioner Kamel Jacot-Bell, Youth Commission; Kathleen Kelly, President, Volunteer Auxiliary, Youth Guidance Center; Ca Sandra Carter (volunteer at Juvenile Hall); Reverend Alan Jones, President, San Francisco Interfaith Council; Mr. Daniels, Juvenile Chaplaincy Committee; Supervisor Hall; Theodore Lakey, Deputy City Attorney.

To Board for consideration on 6/24/02

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020853 **[Veterans Building General Obligation Bonds]**

Supervisors Sandoval, Daly

Resolution determining and declaring that the public interest and necessity demand municipal improvements consisting of the acquisition, rehabilitation, renovation, improvement, construction and/or reconstruction by the City and County of San Francisco of the San Francisco War Memorial Veterans Building, and all other works, property and structures necessary or convenient for the foregoing purposes; that the estimated cost of $98,100,000 for said municipal improvements is and will be too great to be paid out of the ordinary annual income and revenue of said City and County and will require the incurring of bonded indebtedness; finding the project shall comply with the Secretary of the Interior's guidelines; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53.

(Fiscal impact.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Thomas Horn, President, War Memorial Board of Trustees; Beth Murray, Managing Director, War Memorial Board; Mort Raphael, San Francisco Performing Arts Library and Museum; Sydney Goldstein, Executive Director, City Arts and Lectures; Herman Berlandt, National Poetry Association; Deborah Walker; Jim Haas, Chairman, Civic Pride; Tilly Abbe, Ballet With Miss Tilly; Male Speaker; Vince Rios; Wallace Levin, Veterans Affairs Commission; Lorna Silberman; Colonel Robert Frank, U.S. Air Force (Retired); Nancy Peterson, President, United Nations Association of San Francisco; Jack Trad; Jerome Sapiro, Jr.; Merv Silverberg; Richard Ceras; Jim Buker, Department of Public Works; Monique Moyer, Mayor's Office of Public Finance.

Continued to 6/12/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020854 **[Veterans Building Lease Revenue Bonds]**

Supervisors Sandoval, Daly

Resolution of the Board of Supervisors submitting to the qualified electors of the City and County of San Francisco a proposition authorizing the construction of additional improvements and renovations to the San Francisco War Memorial Veterans Building using lease financing; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan Consistency requirement of Administrative Code Section 2A.53; finding the project shall comply with the Secretary of the Interior's guidelines.

(Fiscal impact.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Thomas Horn, President, War Memorial Board of Trustees; Beth Murray, Managing Director, War Memorial Board; Mort Raphael, San Francisco Performing Arts Library and Museum; Sydney Goldstein, Executive Director, City Arts and Lectures; Herman Berlandt, National Poetry Association; Deborah Walker; Jim Haas, Chairman, Civic Pride; Tilly Abbe, Ballet With Miss Tilly; Male Speaker; Vince Rios; Wallace Levin, Veterans Affairs Commission; Lorna Silberman; Colonel Robert Frank, U.S. Air Force (Retired); Nancy Peterson, President, United Nations Association of San Francisco; Jack Trad; Jerome Sapiro, Jr.; Merv Silverberg; Richard Ceras; Jim Buker, Department of Public Works; Monique Moyer, Mayor's Office of Public Finance.
Amended on page 1, line 6, after "financing," by adding "in the amount of $39,400,000."
Continued to 6/12/02.

AMENDED.

Resolution of the Board of Supervisors submitting to the qualified electors of the City and County of San Francisco a proposition authorizing the construction of additional improvements and renovations to the San Francisco War Memorial Veterans Building using lease financing in the amount of $39,400,000; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan Consistency requirement of Administrative Code Section 2A.53; finding the project shall comply with the Secretary of the Interior's guidelines.

(Fiscal impact.)

CONTINUED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020856 **[Pedestrian Safety and Livable Streets General Obligation Bonds]**

Supervisors Ammiano, McGoldrick

Resolution determining and declaring that the public interest and necessity demand the financing of street resurfacing, curb ramp construction, sidewalk improvement and street structure improvement projects, street signal and fire alarm call box improvement projects, street improvements for bicycle use and all other structures and improvements necessary or convenient for the foregoing purposes, that the estimated cost of $150,000,000 is and will be too great to be paid out of the ordinary annual income and revenue of said City and County and will require the incurring of a bonded indebtedness; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53.

(Government Code Sections 43607 and 43608, requires eight votes for passage.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.
Continued to 6/12/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020892 **[Mortgage Revenue Bonds]**

Mayor

Resolution declaring the intent of the City and County of San Francisco (the "City") to reimburse certain expenditures from proceeds of future indebtedness; authorizing the Director of the Mayor's Office of Housing (the "Director") to submit an application and related documents to the California Debt Limit Allocations Committee to permit the issuance of qualified mortgage bonds in an amount not to exceed $19,000,000; authorizing the Mayor's Office of Housing to direct the Controller's Office to hold in trust an amount not to exceed $95,000; authorizing the Director to certify that the City has on deposit the required amount; authorizing the Mayor's Office of Housing to pay an amount equal to the deposit to the State of California if the City fails to issue the qualified mortgage bonds; and authorizing and directing the execution of any documents necessary to implement this Resolution and of any documents necessary to implement this Resolution; and ratifying and approving any action heretofore taken in connection with the Project (as defined herein) and the application. (Mayor)

5/21/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.
Continued to 6/12/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

SPECIAL ORDER - 3:00 PM

020889 **[San Francisco Business Tax]**

Supervisor Peskin

Hearing to address reform of the San Francisco Business Tax to ensure that the City's tax ordinance distributes tax burden among San Francisco businesses in a fair and equitable manner. This hearing is intended to assess the City's current tax collection in the wake of the Gross Receipts Tax Lawsuit and appropriate alternatives that exist to amend the tax code.

5/20/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at a Special Meeting of the Finance Committee on June 5, 2002 at 12:30 PM.

Heard in Committee. Speakers: Edward Harrington, Controller; Dr. Richard Pomp; Dr. Steven Sheffrin; Bruce Allison; Marc Norton; Ken Cleveland, Business Owners and Managers Association; Kathleen Harrington, Golden Gate Restaurant Association; Male Speaker; Carl Kramer, San Francisco Living Wage Coalition; Robert Baezly; Margaret Brodkin, Coleman Advocates for Children; Gary Kaplan, Chair of Taxation Section, Bar Association of San Francisco; Debra Mugnani Monroe, Monroe Personnel Service LLC/Temptime; Paul Kumar, Health Care Workers Union; Robert Haaland, Harvey Milk LGBT Democratic Club; Rebecca Vilmerkerson, People's Budget; Supervisor McGoldrick; Eileen Griffin, Property Manager, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Barry Hermanson; Jim Mathias, San Francisco Chamber of Commerce.
Continued to 6/12/02, as a Special Order at 2:00 p.m.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

ADJOURNMENT

The meeting adjourned at 6:29 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

May 30, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: June 5, 2002 Finance Committee Meeting

Item 1 - File 02-0634

Note: This item was continued for one week with a request that the Department provide data to the Finance Committee on transferring 20 percent of net revenues to the garage capital account instead of the proposed transfer of 25 percent.

Department: Department of Parking and Traffic (DPT)

Item: Resolution approving a proposed new Japan Center Garage Public Parking Lease by and between the City and County of San Francisco and the City of San Francisco Japan Center Garage Corporation (JCGC). The proposed resolution would authorize the Department of Parking and Traffic (DPT) to enter into a new 15-year lease with JCGC, the existing lessee, with one 15-year option, retroactive to May 1, 2002, without using a competitive bid process. JCGC is a nonprofit corporation which manages the Japan Center Garage facilities located at 1660 Geary Boulevard. According to Section 17.11 of the Administrative Code, the Parking and Traffic Commission can lease a parking facility, without a competitive process, to a nonprofit corporation for the purpose of facilitating the financing of a parking facility, as authorized and approved by the Board of Supervisors.

Location:	1610 Geary Boulevard between Fillmore and Laguna
Purpose of Lease:	Management of Japan Center Parking Garage Facilities
Lessor:	City and County of San Francisco
Lessee:	City of San Francisco Japan Center Garage Corporation (JCGC), a nonprofit corporation
No. of Sq. Ft.:	The Japan Center Parking Garage facilities (Garage) contains 352,100 square feet and accommodates 920 vehicles.
Annual Rent and Net Parking Revenues Payable By JCGC to the City's Off-Street Parking Fund:	$1.00 in total over the fifteen-year term of the lease; plus, 75 percent of annual net revenues, consisting of estimated gross revenues of $3,000,000 less Parking Taxes of $586,684[1], less operating expenses of an estimated $1,500,000[2], resulting in estimated net revenues to the City of $684,987 ($3,000,000 less $586,684 less $1,500,000, or $913,316, multiplied by 75 percent equals $684,987) annually based on existing parking rates.
Utilities and Janitorial Services Payable by Lessee from Parking Revenues:	All costs for utilities and janitorial services would be approved annually by the Controller and the DPT as part of their approval of all operating costs under the existing and proposed lease and are the responsibility of the Lessee.

[1] Parking Taxes are 25 percent of Parking Fees and are included in posted rates, so when calculating Parking Taxes from Parking Fee Revenues they equal 20 percent of Parking Fee Revenues. Gross Revenues for the JCGC include Parking Fee Revenues, which are subject to Parking Taxes and Miscellaneous Revenues, which are not subject to Parking Taxes, so the total Parking Taxes to be collected calculate to slightly less than 20 percent of Gross Revenues.

[2] Operating Expenses for JCGC include a $100,000 annual contribution to the Japantown Community Task Force for five years (FY 2002-2003 through FY 2006-2007) as discussed in Description below and in Attachment II. provided by DPT.

Term of Lease: The lease term is fifteen years, commencing on May 1, 2002 or upon approval of the Board of Supervisors and expiring on May 1, 2017. The City can terminate the lease without cause at any time, upon 90 days notice.

Right of Renewal: One option to extend the lease for an additional fifteen years.

Description: The Garage is comprised of two parking structures that accommodate a total of 920 vehicles. According to Mr. Ron Szeto of DPT, the Garage is owned by the City and currently leased by the City to the JCGC.

In 1999, the Board of Supervisors approved: (a) the dissolution of the City of San Francisco Western Addition Parking Corporation (WAPC), a non-profit corporation, which was the prior Garage lessee; (b) the transfer of the remaining assets and liabilities of WAPC to JCGC, a non-profit corporation; (c) a five year lease commencing on December 1, 1999 and expiring on November 30, 2004, with the JCGC as lessee for the Japan Center Garage; and (d) acceptance of a gift to the City of $550,000 from WAPC for the renovation of the Peace Plaza at the Japanese Cultural Trade Center. According to Mr. Szeto, the use of a non-profit corporation facilitates lease revenue financing at minimal risk to the City.

Under the current lease with JCGC, which has been in effect since December 1, 1999, the Japan Center Garage Corporation, the existing lessee, allocates 85 percent of the Garage's net revenues, to the City's Off-Street Parking Fund. Under the proposed new lease, 75 percent, instead of 85 percent of net revenues, would be allocated to the Off-Street Parking Fund. According to Mr. Szeto, this percentage reduction would result in reduced parking revenues of an estimated $104,372 annually to be allocated to the Off-Street Parking Fund. Mr. Steven Lee of DPT states that the net revenue for fiscal year 2001-2002 for the City is estimated to be $789,359 at the existing 85 percent rate while under the proposed lease, the anticipated net revenue of allocating 75 percent of the Garage's net income to the Off-Street Parking Fund will be approximately $684,987 annually or $104,732 less, as shown in Attachment I provided by the DPT.

Under the existing lease, 15 percent of net revenues are transferred to a capital account for the Garage. Under the proposed lease, the Japan Center Parking Corporation will transfer 25 percent of net revenues to this capital account to be used for Garage capital improvements. This increased percentage allocation for capital improvements would be derived from the corresponding reduced allocation to the Off-Street Parking Fund. According to Mr. Szeto, the increased contribution to the capital account, from 15 percent of net revenues to 25 percent of net revenues, has been proposed because under the current lease, the Japan Center Garage has been insufficiently funded for capital projects. Mr. Szeto further reports that at the time of the dissolution of WAPC and formation of JCGC, WAPC transferred $589,335 to JCGC for the capital account. In Attachment II, provided by DPT, Mr. Lee provides further details on Japan Center Garage capital expenditures. Under the existing lease, the capital fund account can have an accumulated balance of up to a maximum of $1 million. Under the proposed lease, the capital fund account can have an accumulated balance of up to a maximum of $2 million. If the capital fund at any time exceeds the current maximum of $1 million or the proposed maximum of $2 million, such excess funds must be transferred to the City's Off-Street Parking Fund. The balance of the capital fund account is currently $267,219, according to Mr. Lee.

Mr. Szeto reports that under the current and proposed lease terms, JCGC must obtain Parking and Traffic Commission authorization before expending any funds from the capital account. Under the terms of the proposed lease, the Controller and the Parking and Traffic Commission will continue to have review and approval authority for the annual budget of the Garage, including expenditures from the capital account.

According to Mr. Szeto, the Japan Center Garage Corporation would continue to contract for operation of the Garage with a parking operator to be selected under a Bid/Request for Proposals (RFP) process in accordance with the lease agreement. Presently, the garage operator is Ampco System Parking. JCGC must employ a

professional parking operator with a staff experienced in the management and operation of public parking facilities. The selection of the parking operator is subject to approval by both the Parking and Traffic Commission and the Board of Supervisors in accordance with Section 17.11 of the Administrative Code. The current parking operator agreement with Ampco System Parking, which was not previously approved by the Board of Supervisors, is now on a month-to-month basis. Mr. Lee reports that the JCGC will conduct a competitive bid/RFP process for a new parking operator agreement which will be subject to Board of Supervisors approval, pending a competitive process for a new parking operator agreement.

Mr. Lee further reports that under the terms of the lease, JCGC would provide the Japantown Task Force, a non-profit corporation, with up to $100,000 annually for five years, from May 1, 2002 through April 30, 2007, from garage parking revenues to be expended for marketing for Japantown and also to create a long-term conceptual plan for community businesses. The lease which was previously submitted to the Board of Supervisors included an annual allocation of $50,000 for the Japantown Task Force. Mr. Lee reports that the proposed new lease would increase the allocation to the Japantown Task Force by $50,000 from $50,000 annually to $100,000 annually because, he states, the increased amount would be more appropriate to assist the Japantown Task Force to market the Japantown community and create a long-term conceptual plan for furthering community, business and interest. The proposed lease would require the Japantown Task Force to enter into a Memorandum of Understanding with the City requiring the Japantown Task Force to abide by the Sunshine Ordinance. Under the proposed lease, the Japantown Task Force must submit an annual plan and budget for the $100,000 annual contribution, which will be included in the JCGC operating expenses budget and therefore subject to approval of the Parking and Traffic Commission and the Controller. Attachment III, provided by DPT, further describes the $100.000 annual contribution to the Japantown Task Force

Comments:

1. Mr. Szeto reports that, previously, the Board of Supervisors requested that the DPT monitor and evaluate the JCGC during the current lease period and make recommendations to terminate or extend the lease with this corporation. Mr. Szeto further reports that DPT has found JCGC to be successful in its management of the Garage. According to Mr. Szeto, for this reason the DPT has now proposed a new lease of 15 years with JCGC even though the existing lease with JCGC does not expire until November 30, 2004.

2. As stated above, the proposed lease term is fifteen years, retroactive from May 1, 2002 to April 30, 2017, with one option to extend the lease for an additional fifteen years. As previously noted, since the DPT already has an existing lease with the Japan Center Garage Corporation, there is no need to begin the proposed lease on May 1, which would require retroactivity.

Recommendations:

1. Amend the proposed resolution to provide that the lease would commence on July 1, 2002, instead of May 1, 2002, as discussed in Comment No. 2 above.

2. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

Attachment I

JAPAN CENTER GARAGES

Fiscal Year July 1 through June 30	2001 Actual	2002 Actual / Anticipated	2003 Projected
Gross Revenue	$ 2,619,446	$ 2,778,809	$ 3,000,000
Parking Taxes	510,760	543,226	586,684
Operating Expenses	1,184,110	1,306,925	***1,500,000
Net Revenue	924,576	928,658	913,316
Corporation's Capital Fund	*138,686	*139,299	**228,329
Capital Funds Expended	370,852	368,500	63,860
City's Net Percentage Income	785,890	789,359	684,987

Japan Center Garage Corporation "JCGC" established December 1, 1999

* Corporation's Percentage @ 15% of Net Revenues

** Corporation's Percentage @ 25% of Net Revenues

*** Operating Expense includes $100,000 to Japantown Task Force

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JAPAN CENTER GARAGES
ELEVEN YEAR SOURCE AND APPLICATION OF FUNDS
YEAR ENDING JUNE 30

		2000	2001	2002	*2003	**2004	2005	2006	2007	2008	2009	2010	TOTAL
SOURCE OF FUNDS													
Projected Annual Surplus		814,213	924,576	928,658	913,316	930,715	948,637	967,096	906,109	1,015,692	1,046,163	1,077,548	10,552,723
City Disbursement @ 75%	*85% through* 2002	692,081	785,090	709,359	684,987	698,037	711,478	725,322	739,582	761,769	784,622	808,161	8,181,287
Corporation Disbursement @ 25%	*15% through* 2002	122,132	138,686	139,299	228,329	232,679	237,159	241,774	246,527	253,923	261,541	269,387	2,371,436
Beginning Surplus + Year End Surplus		599,157	480,465	248,299	19,898	183,567	78,192	29,571	18,106	74,513	125,448	386,989	2,243,407
CORPORATION'S TOTAL FUND YEAR END		721,289	619,151	387,590	247,427	416,246	315,351	271,345	264,633	320,436	386,989	656,376	4,614,843
APPLICATION OF FUNDS	*Current project est. + expenditures to date*												*Includes 3%/yr increase from 2002 project cost*
Equipment/Circulation Improvement													
Lower Level/Annex Improvement	94,750	2,250	92,500										94,750
Upper Level Main Garage recoat	250,000					**86,090**	**53,575**	**56,275**	**57,963**				253,903
Emergency Generator	125,000			125,000									125,000
Electrical Engineering Fee	25,000			25,000									25,000
Cashier Queue Area Expansion	123,705		12,785	61,000	51,500								125,285
2 Automatic Pay Stations	100,000			100,000									100,000
Parking Equipment Replace/Upgrades	349,726		149,726			**159,135**		**56,275**					365,136
Japanese Landscape and Design	25,304	25,304											25,304
Post Street Exit Modification	94,933	54,719	40,214										94,933
Floor Cleaning Machines	106,972		66,972									50,671	117,643
Garage Painting	175,000					**92,829**	**95,614**						188,443
Signage	57,991		7,991	50,000									57,991
Graphics	50,000						**54,636**						54,636
Exhaust Fan Renovation	250,000							**140,689**		**149,256**			289,945
Fire Door Replacement	12,000				12,360								12,360
Electric Vehicle Charging Station	45,000									**53,732**			53,732
Repayment of City Debt and Interest	150,551	150,551											150,551
Contingency	8,164		664	7,500									8,164
Others													
Lighting Retrofit	75,000						**81,955**						81,955
Carbon Monoxide Detetors	64,000								**74,193**				74,193
Floor Cleaning Machine	40,000											**50,671**	50,671
Parking Equipment Replace/Upgrades	50,000								**57,964**				57,964
TOTAL CAPITAL EXPENSES	2,201,176	240,824	370,052	368,500	63,860	338,054	285,780	253,239	190,120	202,988	-	101,342	2,415,559
CAPITAL FUND YEAR END SURPLUS		480,465	248,299	19,098	103,567	70,192	29,571	18,106	74,513	125,448	386,989	555,014	2,199,284

*Proposed Commencement of Japan Center Garage Corporation Lease with 25% of Net Revenues Beginning 2003.

** **Revenues are projected with a 3% increase per year from 2003 with a revenue reduction of $10,000 for years 2004,2005,2006 and 2007 due to waterproofing work.**

Bold figures represent improvements scheduled sooner due to availability of funds.

Please note that the 85%/15% split is used through year 2002

Prepared by: Steven Lee, DPT & Richard Hashimoto, JCGC

November 30, 2001

Revised May 8, 2002

JAPAN CENTER GARAGES
ELEVEN YEAR SOURCE AND APPLICATION OF FUNDS
YEAR ENDING JUNE 30

	Current project est. + expenditures to date	2000	2001	2002	*2003	**2004	**2005	2006	2007	2008	2009	2010	TOTAL
SOURCE OF FUNDS													
Projected Annual Surplus		814,213	924,576	928,658	913,316	940,715	898,937	998,005	1,027,945	1,058,784	1,090,547	1,123,263	10,710,960
City Disbursement @ 85%		692,081	785,890	789,359	776,319	799,608	764,096	840,304	873,753	899,966	926,965	954,774	9,111,116
Corporation Disbursement @ 15%		122,132	138,686	139,299	136,997	141,107	134,841	149,701	154,192	158,810	163,502	168,490	1,607,844
Beginning Surplus + Year End Surplus		599,157	480,465	248,299	19,098	92,235	153,774	15,423	24,436	(24,245)	(14,605)	(4,837)	1,589,120
CORPORATION'S TOTAL FUND YEAR END		721,209	619,151	387,598	156,095	233,342	288,615	165,124	178,628	134,572	140,097	163,653	3,196,963
APPLICATION OF FUNDS													*Includes 3%/yr increase from 2002 project cost*
Equipment/Circulation Improvement													
Lower Level/Annex Improvement	94,750	2,250	92,500										94,750
Upper Level Main Garage recoat	258,000						273,192						273,192
Emergency Generator	125,000			125,000									125,000
Electrical Engineering Fee	25,000			25,000									25,808
Cashier Queue Area Expansion	123,785		12,785	61,000	51,500								125,285
2 Automatic Pay Stations	100,000			100,000									100,000
Parking Equipment Replace/Upgrades	349,726		149,726			79,568		94,413				63,338	377,845
Japanese Landscape and Design	25,304	25,304											25,304
Post Street Exit Modification	91,933	51,719	40,214										91,933
Floor Cleaning Machines	106,972		66,972									50,671	117,643
Garage Painting	175,000								202,873				202,873
Signage	57,991		7,991	50,000									57,991
Graphics	50,000							56,275					56,275
Exhaust Fan Renovation	250,000									149,257	153,734		302,991
Fire Door Replacement	12,000				12,360								12,360
Electric Vehicle Charging Station (3)	45,000											57,805	57,005
Repayment of City Debt and Interest	150,551	158,551											158,551
Contingency	8,164		664	7,500									0,164
Others													
Others													
Others													
TOTAL CAPITAL EXPENSES	2,052,176	240,824	370,852	368,500	63,860	79,568	273,192	140,688	202,873	149,257	153,734	171,014	2,214,362
CAPITAL FUND YEAR END SURPLUS		480,465	248,299	19,090	92,235	153,774	15,423	24,436	(24,245)	(14,685)	(4,037)	(7,361)	982,601

*Proposed Commencement of Japan Center Garage Corporation Lease

** Revenues are projected with a 3% increase per year from 2003 with a reduction of $70,000 for 2005 due to loss in revenue from waterproof recoat construction.

Prepared by Steven Lee, DPT & Richard Hashimoto, JCGC
November 30, 2001
Revised May 8, 2002

Attachment II
Page 2 of 2

Attachment III

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMCLN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: May 9, 2002

TO: Sarah Graham
Budget Analyst's Office

FROM: Steven Lee
Principal Analyst
Parking Authority

RE: **Japan Center Garage Corporation Lease**

The purpose of the memorandum is to provide you with additional information in regard to the currently proposed Japan Center Garage Corporation "JCGC" Lease.

The original proposed Lease was rejected in December due to concerns that the Board of Supervisors had regarding the $50,000 per year, for the next five years, allocation to the Japantown Task Force for community outreach/participation and marketing in terms of the process in which the Japantown Task Force would receive the funds and the specific use of these funds. The Board of Supervisors also wanted the Japantown Task Force to abide by the regulations of the Sunshine Ordinance. Additionally, the Board of Supervisors had concerns that there were persons servings as members on both the JCGC Board of Directors and the Japantown Task Force and constituted a conflict of interest.

In response to these concerns, the Department of Parking and Traffic has revised the proposed Lease to require that the JCGC and the Japantown Task Force enter into a MOU to receive funding. The MOU requires that the Japantown Task Force submit an annual plan, in detail, the purpose of the funds for the upcoming year to the Parking and Traffic Commission or its succeeding entity and the Controller's Office for approval. All funds shall be disbursed on a cost reimbursement basis. The MOU also requires that the Japantown Task Force abide by the regulations of the City's Sunshine Ordinance.

Sarah Graham
May 9, 2002
Page 2 of 2

The Lease was also revised to increase the $50,000 per year to $100,000 per year. After further review, the increased amount would be more appropriate to assist the Japantown Task Force to market the Japantown community, and create a long-term conceptual plan for furthering community business and interest. The funds must also be used for community outreach, signage, urban landscape improvements and sidewalk maintenance.

In regard to the concerns of the potential conflict of interest, the Department of Parking and Traffic has received three resignations from members of the JCGC Board of Directors who also serve as members of the Japantown Task Force.

Please call me at 554-9869 if you require additional information.

Cc: Ronald Szeto - Acting Director, PA

Item 2 - File 02-0842

Note: This item was continued by the Finance Committee at its meeting of May 29, 2002 pending submission of additional information by the Department.

Department: Recreation and Park Department

Item: Ordinance waiving the competitive bid requirements for the Recreation and Park Commission's award of a contract not to exceed $2.5 million over a five year period for renovation of playgrounds, restoration of natural areas and implementation of erosion control measures in San Francisco parks, and exempting the contract from prevailing wage requirements.

Description: The proposed ordinance would waive the City's competitive bidding requirements to authorize the Recreation and Park Department (RPD) to award a contract, without the use of competitive bidding procedures, in an amount not to exceed $2.5 million, to the San Francisco Conservation Corps (SFCC), a nonprofit organization, for 1) renovation of park playgrounds, 2) restoration of designated Significant Natural Resource Areas, and 3) implementation of erosion control measures in the parks throughout the City. The proposed ordinance would also exempt the subject RPD contract with SFCC from prevailing wage requirements, pursuant to Section A 7.204 of the City's Charter.

Attachment I, provided by Mr. Marvin Yee of the RPD, contains a) program descriptions for the work to be done under the contract, b) various RPD facilities where the work is to be done, c) the allocation of funds by work category for the $2.5 million contract, d) hourly rates for services to be provided, and e) funding sources for the contract.

According to Mr. Yee, Significant Natural Resource Areas are defined as RPD properties that meet specific criteria including properties which contain natural biotic or geomorphic remnants of the indigenous landscape, contain rare types of species or habitat, and are vulnerable to degradation from an imminent ecological crisis. Mr. Yee reports that there are approximately 26 such designated areas in the City, all of which may benefit from the proposed restoration work under the contract. According to Mr. Yee, at least eight playgrounds would be renovated under the contract, to comply with

safety standards and wheelchair accessibility requirements. Mr. Yee also states that erosion control methods, at a minimum of five park locations, would be implemented under the contract to prevent park deterioration and to protect park built facilities and landscapes.

The proposed ordinance would also exempt the subject RPD contract with SFCC from prevailing wage requirements.

The SFCC is eligible to be exempt from prevailing wage requirements in its contract with the RPD because SFCC meets the conditions for exemption set forth in Section A 7.204(b) of the City Charter. Section A 7.204(b) provides that the Board of Supervisors may exempt from the prevailing wage requirement any contract where the work is to be performed by a nonprofit organization that provides job training and work experience for disadvantaged individuals in need of such training and experience, and the nonprofit organization either (1) has a board of directors appointed by the Mayor or (2) exists primarily to design and build urban gardens, yards, and play areas. SFCC is a nonprofit organization that provides job training and work experience for disadvantaged individuals. According to Mr. Yee, the SFCC has a 16-member board of directors appointed by the Mayor and exists primarily to design and build urban gardens, yards, and play areas.

Comments:

1. According to Mr. Yee, the proposed ordinance incorrectly states that the term of the contract would be four and one-half years. The correct contract term would be five years.

2. The subject contract had a May 1, 2001 beginning date and a termination date of April 30, 2006. According to Mr. Yee, the DPR is requesting approval of this proposed ordinance at this time, over one year after the contract starting date, because of extended labor union discussions. Mr. Yee reports that to date, no funds have been expended nor have any services been rendered by the SFCC in relation to the contract. According to Ms. Mary King-Gorwky of RPD, the term of this five-year

contract is now expected to begin on June 15, 2002 and terminate on June 14, 2007.

3. Attachment II is a memorandum provided by Mr. Yee, which states the reasons as to why the RPD is requesting to award a $2.5 million contract without utilizing the City's competitive bidding procedures.

4. According to Mr. Yee, the source of funds for the $2,500,000 contract over its five-year term will include approximately $1,000,000 in anticipated CDBG grant funds, $125,000 in anticipated other grant funds, and $1,375,000 in anticipated Open Space Program funds and General Fund monies. According to Mr. Yee, of the $1,375,000 in Open Space and General Fund monies, $200,000 has been included in the RPD FY 2002-2003 budget, and the remaining $1,175,000 will be requested by the RPD in future RPD budgets.

Recommendations:

1. In accordance with Comment No. 1, amend the proposed ordinance to reflect the correct contract term of five years, not four and one-half years, as is presently contained in the ordinance.

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Memo to Finance Committee
May 29, 2002 Finance Committee Meeting

Attachment A

Project: Renovation of children's play areas

Sites may include, but not limited to:

24th St./York Mini Park
Buchanan St. Mall (Between Turk and Golden Gate Sts.)
Crocker Amazon Playground (Geneva/Moscow Sts.)
Hayes Valley Playground (Hayes/Buchanan Sts.)
Kelloch-Velasco Playground
Kimball Playground (Ellis/Pierce Sts.)
Little Hollywood Park (Tocoloma/Lathrop Sts.)
Silver Terrace Playground (Waterville St.)

Scope of Work:

Provide materials and labor for, but not limited to:

Site demolition
Installation of play equipment
Installation of resilient surfacing, including rubber matting and playground sand
Concrete work
Decomposed granite paving
Disability access improvements
Landscaping

Scope of work shall not include carpentry, electrical, plumbing, or ironwork, unless approved by the SFRPD Assistant Superintendent of Parks, Structural Maintenance.

Personnel Rates:

Corpsmember Rate: $24.50/hour
Supervisor Rate: $24.50/hour

Estimated Budget: $2,000,000 for the 5-year contract

Anticipated Sources of Funds:

$1,000,000	Grants
$1,000,000	Open Space Program and General Fund
$2,000,000	TOTAL

Memo to Finance Committee
May 29, 2003 Finance Committee Meeting

Project: Restoration of natural areas

Examples of significant natural resource areas:

Bayview Hill	Hawk Hill
Brooks Property	Lake Merced
Buena Vista Park	Mount Davidson
Edgehill Open Space	Sharp Park
Golden Gate Park	Twin Peaks

Scope of Work:

The scope of work will consist of, but not limited to, the following:

Broom – Seedlings removed in spring by hand pulling; adult removed using weed wrenches or hand chain saws when individuals are too large for weed wrenches.

Fennel – Hand removal of adults and seedling with mattocks.

Cotoneaster – Cut shrubs with chain saw loppers.

Euclayptus – Saplings of 6" and less removed with chain saws.

Pampas grass – Hand removal with shovels and mattocks.

Plant and debris removal activities will be combined with other restoration activities such as seed collection, plant propagation, nursery maintenance and planting.

Personnel Rates:

SFCC Rate: $23/hour

Estimated Budget: $250,000 for the 5-year contract

Anticipated Sources of Funds:

$125,000	Grants
$125,000	Open Space Program
$250,000	TOTAL

Memo to Finance Committee
May 29, 2002 Finance Committee Meeting

Project: Erosion control

Sites, but not limited to.:

Buena Vista Park
Golden Gate Park
McLaren Park
Pine Lake Park
Pioneer Park

Scope of Work:

Provide materials and labor for, but not limited to, proven and acceptable methods of erosion control, including trail improvements, minor grading, retaining walls up to 3' high, and biotechnical slope stabilization techniques (brush layering, branch packing, wattling, plastic or jute netting, and re-vegetation).

Scope of work shall not include canopy thinning, retaining walls greater than 3' high, or irrigation systems, unless approved by the SFRPD Assistant Superintendent of Parks (Structural Maintenance) or the SFRPD Urban Forester.

Personnel Rates:

Corpsmember Rate: $23.00/hour
Field Supervisor Rate: $23.00/hour

Estimated Budget: $250,000 for the 5-year contract

Anticipated Sources of Funds: Open Space Program and General Fund

Memo to Finance Committee
May 29, 2002 Finance Committee Meeting

Attachment B

The Recreation and Park Department (RPD) wishes to award the subject contract for an amount not to exceed \$2.5 million over a period of five years, without competitive bid, even though the expenditure involved in each contract exceeds \$50,000, because:

(1) the development of disadvantaged individuals will best serve the public interest by having a significant positive impact on the economic health of the City, and
(2) the SFCC has been awarded \$200,000 Community Development Block Grant (CDBG) amounts for 24th St./York Mini Park and Crocker Amazon Playground. The RPD wishes to supplement those grant amounts to completely fund these renovation projects.

Item 3 - File 02-0707

Department: District Attorney

Item: Ordinance appropriating $283,764 from the Reserve for the Hanlon Arbitration Award to cover a projected General Fund Fiscal Year 2001-2002 deficit in salaries and fringe benefits in the District Attorney's budget.

Amount: $283,764

Source of Funds: General Fund Reserve Hanlon Arbitration Award, established in the amount of $2,388,000. The Hanlon Arbitration Award granted salary increases for attorney classifications covered by the Memorandum of Understanding (MOU) between the City and the Municipal Attorneys Association for the two year period from July 1, 2001 to June 30, 2003, approved by the Board of Supervisors in June of 2001. According to Mr. Ben Rosenfield, the Mayor's Budget Director, $2,388,000 was appropriated in the FY 2001-2002 budget as a designated General Fund reserve for Municipal Attorneys Association salary increases City-wide in accordance with the MOU.

Description: Under this proposed ordinance, the District Attorney's Office is requesting a supplemental appropriation in the amount of $283,764 for a projected Fiscal Year 2001-2002 deficit in salaries and fringe benefits. Mr. Daley Dunham of the District Attorney's Office states that the projected General Fund deficit is due to increased salaries and fringe benefits resulting from the MOU with the Municipal Attorneys Association.

Proposed Budget: This supplemental request of the District Attorney's Office totaling $283,764 would be expended as follows:

	Amount
Permanent Salaries	$240,490
Fringe Benefits	43,274
Total	$283,764

Comments:

1. The Controller's latest projection report for the District Attorney's Office General Fund Salaries and Fringe Benefits Accounts projects a deficit of $542,620, based on actual expenditures through the pay period ending April 12, 2002. Mr. Dunham states that the District Attorney's Office projects a $500,781 General Fund deficit or $41,839 less than the Controller's projection. Mr. Dunham reports that the District Attorney's Office has identified a total of $215,228 in available funding from: (a) unencumbered workorder funds of $116,478 in salaries and fringe benefits for work the District Attorney has already performed; (b) new grant funds in the amount of $18,750 (File 02-0543); and (c) a Gun Violence grant in the amount of $80,000 (File 02-0624). According to Mr. Dunham, the District Attorney's Office will use the $215,228 to partially fund the Department's projected deficit, resulting in an unmet need of $285,553 (the Department's projected deficit of $500,781 less $215,228).

Mr. Dunham states that the District Attorney's Office had requested a supplemental appropriation in the amount of $283,764, or $1,789 less than the District Attorney's Office anticipated deficit of $285,553 because the District Attorney's Office based its request on projections from earlier pay periods. However, according to Mr. Dunham, based on the District Attorney's latest projections, sufficient funds are available in the District Attorney's Office' budget to absorb the difference of $1,789. Therefore, according to Mr. Dunham, the amount requested of $283,764 will be sufficient to provide for the remaining deficit in salaries and fringes.

2. The Board of Supervisors previously approved a supplemental appropriation for the City Attorney's Office (File 02-0475) authorizing an appropriation of $442,741 from the Reserve for the Hanlon Arbitration Award. This subject proposed supplemental appropriation of $283,764 for the District Attorney's Office will be the only other use from the Reserve for the Hanlon Arbitration Award according to Mr. Rosenfield. Mr. Rosenfield advises that the balance in the Hanlon Arbitration Award Reserve of $1,661,495, consisting of the original reserve of $2,388,000 less $442,741 for the City Attorney's Office

less $283,764 for this subject District Attorney request, will be closed out to the General Fund Reserve as of June 30, 2002.

Recommendation: Approve the proposed supplemental appropriation.

Item 4 – File 02-0794

Department:	Parking Authority Mayor's Office of Public Finance
Item:	Resolution (1) approving the issuance of Parking Revenue Refunding Bonds by the San Francisco Ellis-O'Farrell Parking Corporation in an amount not to exceed $6,500,000, to refinance bonds issued in 1992 which funded the seismic upgrade and expansion of the Ellis-O'Farrell Public Parking Garage; (2) approving a bond indenture modifying the maximum amount of the Contingent Reserve Fund by 50 percent from $500,000 to $750,000; (3) authorizing and ratifying the execution and delivery of documents reasonably necessary for the issuance, sale and delivery of such refunding bonds; and (4) ratifying previous actions taken in connection therewith.
Amount:	Not to exceed $6,500,000
Source of Funds:	San Francisco Ellis-O'Farrell Parking Corporation Parking Revenue Refunding Bonds
Description:	According to Mr. Ron Szeto of the Department of Parking and Traffic (DPT), the City-owned Ellis-O'Farrell Public Parking Garage, located at 123 O'Farrell Street, is leased by the City to the San Francisco Ellis-O'Farrell Parking Corporation, a nonprofit corporation. Attachment I, provided by DPT, contains background information on the San Francisco Ellis-O'Farrell Parking Corporation and their existing lease agreement with the City. Mr. Szeto advises that, under the terms of the approximately 26-year lease between the City and the Corporation which began on June 1, 1991 and terminates on April 1, 2017[1], the Corporation is required to obtain Board of Supervisors approval for the issuance of tax-exempt bonds and the execution of various documents related to such bonds. In 1992, the Board of Supervisors authorized the Corporation to issue $6,500,000 in Parking Revenue Bonds to seismically upgrade the Ellis-O'Farrell Garage

[1] According to the terms of the lease between the City and the Corporation, the lease period began on June 1, 1991 and terminates on the earlier of 50 years (May 31, 2041) or the date of the last debt service payment (April 1, 2017).

and expand the Garage by adding approximately 350 parking spaces on two and one-half additional parking levels. According to Ms. Nadia Sesay of the Mayor's Office of Public Finance, the outstanding principal amount of debt from the original 1992 $6,500,000 bond issuance is $5,225,000 as of May 20, 2002.

Approval of the proposed resolution would authorize the San Francisco Ellis-O'Farrell Parking Corporation to issue tax-exempt Parking Revenue Refunding Bonds in an amount not to exceed $6,500,000, in order to refund the outstanding 1992 Parking Revenue Bonds. According to Mr. Szeto, these Parking Revenue Refunding Bonds would be repaid from the gross receipts of the Ellis-O'Farrell Garage. According to Mr. Szeto, these Parking Revenue Refunding Bonds, as with the original 1992 Parking Revenue Bonds, do not require the City's General Fund to repay the bonds.

According to Ms. Sesay, the existing 1992 Parking Revenue Bonds have interest rates of between 6.9 percent and 7.125 percent and were issued with a 25-year term, with a final payment date on April 1, 2017. The 1992 Parking Revenue Bonds can be called from investors on or after April 1, 2002. According to Ms. Sesay, the estimated true interest cost for the subject proposed Parking Revenue Refunding Bonds is 4.89 percent and the bonds would have an approximately 15-year term with the final payment still due on April 1, 2017. Attachment II, provided by the Mayor's Office of Public Finance, is a debt service comparison between the 1992 Parking Revenue Bonds and the proposed Parking Revenue Refunding Bonds, and an explanation of the one-time versus the 15-year aspects of the savings.

As shown in Attachment II, the proposed refinancing of the 1992 Parking Revenue Bonds will result in an estimated total savings in aggregate debt service of $430,043.61, of which $428,000 would be realized on the anticipated issue date of July 10, 2002 as a one-time upfront savings plus $2,043.61 in net present value savings over the 15-year term of the bonds. This estimated savings is based on a par amount of $5,225,000 (the outstanding principal amount of debt on the original

1992 bonds) at an average annual interest rate of 4.89 percent for a term of 15 years, according to Ms. Sesay.

According to the terms of the existing indenture between the Corporation and the Bank of America National Trust and Savings Association for the 1992 Parking Revenue Bonds, the Corporation retains 15 percent up to $500,000 maximum of net annual revenues[2] from the operation of the Ellis-O'Farrell Garage in a Contingent Reserve Fund to be used only for Garage capital improvements. The proposed resolution would approve an indenture between the Corporation and the Trustee of the proposed Refunding Bonds, to be selected in June of 2002 through a competitive bid process, to increase the maximum amount net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent from $500,000 to $750,000. According to the terms of the proposed indenture, whenever any funds are withdrawn for capital improvements from the Contingent Reserve Fund, the amount withdrawn would be replaced from subsequent net revenues up to $750,000. However, the Contingent Reserve Fund could not be allocated an amount in excess of 15 percent of the Garage's net revenues in any one year. According to Mr. Szeto, increasing the maximum amount of the Contingent Reserve Fund by 50 percent is necessary to allow the Corporation to set aside sufficient funds to address needed capital improvements including office renovations, the purchase of digital cameras for the vehicle entry lanes and stairwells, and other necessary improvements.

Attachment III, provided by DPT, shows the actual and projected sources and uses of Ellis-O'Farrell Garage revenues from 1999 to 2017 (year ending April 30th). As shown in Attachment III, in 2003 the Corporation would retain in the Contingent Reserve Fund the estimated one-time savings of $428,000 from issuance of the proposed Parking Revenue Refunding Bonds, resulting in a Contingent Reserve Fund total of $467,925 in 2003 (year ending April 30th). According to the projections contained in Attachment III, at no time during the 15-year term of

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[2] Net revenues are equal to gross receipts less Parking Taxes, operating expenses and annual debt service.

the proposed Parking Revenue Refunding Bonds does the Contingent Reserve Fund total more than $467,925. Therefore, the Budget Analyst questions the need to increase the maximum amount of net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent, from $500,000 to $750,000, as is proposed in the new indenture for the subject Parking Revenue Refunding Bonds. Mr. Szeto responds in Attachment IV to the Budget Analyst's point by stating "There is always the possibility that the planned capital work for 2003 and subsequent years may not start or be completed exactly as scheduled within the Corporation's fiscal year. For this reason and the real possibility that the economy and the garage revenues will recover in the near future, the proposed Contingent Reserve Fund maximum limit of $750,000 will insure the availability of needed capital improvement funds without imposing a use or lose situation that does not have a negative financial impact to the City."

According to Mr. Szeto, the Parking and Traffic Commission must approve capital improvement expenditures from the Contingent Reserve Fund, which are incurred by the San Francisco Ellis-O'Farrell Parking Corporation. Mr. Szeto reports that such expenditures are not subject to Board of Supervisors approval.

Comments:

1. According to Ms. Sesay, the principal that would be outstanding on the prior 1992 Parking Revenue Bonds will be $5,225,000 on the date that the 1992 Parking Revenue Bonds are called, which is anticipated to be on August 12, 2002. The prior 1992 Parking Revenue Bonds have a Debt Service Reserve Fund which has a current balance of approximately $585,693. Those monies from the Debt Service Reserve Fund would be released when the 1992 Parking Revenue Bonds are defeased.[3] According to Ms. Sesay, approximately $565,940 of the $585,693 Debt Service Reserve Fund would be used to fund a new Debt Service Reserve Fund[4] for the proposed refunding

[3] Defeasance is the term used to describe the termination of all rights and interests of the bondholders upon final payment of all debt service, in the manner required by the terms and conditions of the bond resolution.

[4] Under the terms of the proposed refunding bond issuance and in accordance with Internal Revenue Service (IRS) Tax Regulations, the Corporation is required to fund a Debt Service Reserve Fund in

bonds. According to Ms. Sesay, the balance of $19,753 ($585,693 less $565,940) would be allocated to an Escrow Fund for use in paying off the 1992 Parking Revenue Bonds. Ms. Sesay advises that a Debt Service Reserve Fund is required to provide for debt service payments in case of a funding shortfall. If a shortfall occurs, and the Trustee is required to pay debt service from this Reserve Fund, then the Reserve Fund would be replenished by Garage revenues.

2. According to Ms. Sesay, the proceeds deposited in the Escrow Fund from the anticipated July 10, 2002 sale of the subject Parking Revenue Refunding Bonds will be held by a third party trustee (the "Escrow Agent") to be selected through a competitive bid process in June of 2002. On the anticipated bond call date of August 12, 2002, the Escrow Agent will redeem the 1992 Parking Revenue Bonds with the monies held in the Escrow Fund.

3. According to Ms. Sesay, the cost of issuance is estimated to be $250,000 for the proposed refunding bonds. Ms. Sesay reports that the cost of issuance is to be paid with bond proceeds.

4. Ms. Sesay anticipates that the proceeds from the sale of the subject Refunding Bonds will be invested in State and Local Government securities until August 12, 2002, the anticipated call date for the 1992 Parking Revenue Bonds.

5. Ms. Sesay notes that the exact amount of the proposed Parking Revenue Refunding Bond issuance in an amount not to exceed $6,500,000, will not be known until the date of the sale of the Parking Revenue Refunding Bonds, as the interest rate will affect the aggregate principal amount needed to fund the refunding escrow account and the bond insurance. However, Ms. Sesay advises that it is standard industry practice that issuance of refunding bonds must result in a debt service savings of at least

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the amount equal to the lesser of 10 percent of the par amount of the proposed Refunding Bonds, 100 percent maximum annual debt service or 125 percent average annual debt service on the proposed Refunding Bonds. In this case, the amount of the Debt Service Reserve Fund is an amount equal to 100 percent maximum annual debt service on the proposed Refunding Bonds or approximately $565,940.

three percent of the bonds to be refunded, which in this case, for the original 1992 bonds, is $5,225,000. Therefore, in order to assure debt service savings of at least three percent, the Budget Analyst recommends that the proposed resolution be amended by adding the following provision:

> "further provided, that the par amount of the refunding bonds issued shall not exceed an amount that will produce a net present value debt service savings of at least three percent of the refunded amount of $5,225,000 to defease the Series 1992 Bonds, or $156,750 as certified by the Corporation's independent financial advisor as a pre-condition to the Corporation's delivery of the Parking Revenue Refunding Bonds to the Trustee."

Ms. Sesay concurs with the Budget Analyst's recommendation.

6. According to Ms. Theresa Alvarez of the City Attorney's Office's, although the proposed resolution includes a provision to ratify previous actions taken in connection with the issuance of the proposed Parking Revenue Refunding Bonds, Ms. Alvarez is not aware of any such actions that have been taken.

Recommendation:

1. In accordance with Comment No. 5 above, amend the proposed resolution to require that the par amount of the Parking Revenue Refunding Bonds to be issued by the San Francisco Ellis-O'Farrell Parking Corporation shall not exceed an amount that will produce a net present value debt service savings of less than three percent of the $5,225,000 which is the outstanding balance of the 1992 bonds to be refunded.

2. As noted in the Description Section above, the Budget Analyst questions the need to increase the maximum amount of net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent, from $500,000 to $750,000, as is proposed in the new indenture for the subject Parking Revenue Refunding Bonds, because at no time during the 15-year term of the

proposed Parking Revenue Refunding Bonds does the Contingent Reserve Fund total more than $467,925 according to the projections contained in Attachment III. Therefore, approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: May 22, 2002

TO: Ms. Anna LaForte
Analyst
Budget Analyst's Office

FROM: Ronald Szeto RS
Acting Director
Parking Authority

SUBJECT: City of San Francisco Ellis-O'Farrell Parking Corporation Refunding Bonds

---

Background:

In 1991, the Board of Supervisors approved a Lease, dated as of June 1, 1991, (the "Lease") between the City and County of San Francisco (the "City") and the City of San Francisco Ellis O'Farrell Parking Corporation (the "Corporation") for the management of the Ellis O'Farrell Garage (the "Garage"). Under the terms of the Lease, the Corporation is required to obtain City approval for the issuance of tax-exempt bonds and the execution of various documents relating thereto.

Also under the terms of the Lease, the Corporation is required to solicit a professional parking operator through a competitive process for the daily parking management of the Garage and to obtain the Parking and Traffic Commission authorization to execute a management agreement between the Corporation and the parking operator. The Corporation is also required to submit an annual operating budget to the Parking and Traffic Commission for review and to the Controller's Office for approval. Furthermore, the Corporation is required to obtain the Parking and Traffic Commission authorization to expend funds for capital improvements to the Garage.

In 1992, the Corporation issued Parking Revenue Bonds the ("Series 1992 Bonds") to seismically upgrade the Garage damaged by the Loma Prieta Earthquake and to expand the Garage by adding approximately 350 spaces on two and one-half additional parking levels.

As of May 1, 2002, the Corporation had an outstanding principal amount of $5,225,000 of Series 1992 Bonds. Final maturity on the Parking Revenue Bonds is April 1, 2017. Interest rates range from 6.90% to 7.125% (the weighted average interest rate is 7.12%) and the annual payment is approximately $580,000.

Under the Indenture, dated as of January 1, 1992, between the Corporation and the Bank of America National Trust and Savings Association, as trustee, (the "Indenture"), capital improvements at the Garage are funded from the Corporation's Contingent Reserve Fund ("Capital Improvement Fund"). Over the past several years, the Corporation has depleted all of the available funds in the Capital Improvement Fund on needed capital improvements at the Garage. In some instances our Department and the Controller's Office have had to utilize the Corporation's Repair and Replacement Fund to pay for needed capital projects. The Repair and Replacement Fund is not intended for this purpose.

Pursuant to the Indenture, the Corporation retains 15% (up to $500,000 maximum) of "Net" revenues from the operations of the Garage to be used for capital improvements. For fiscal year 2001-2002, the Corporation projects less than $40,000 of allocated "Net" revenue will be available to augment the Capital Improvement Fund.

One of our goals in the refunding process is to determine a proper net revenue allocation for the Capital Improvement Fund.

Proposal:

Staff and the Corporation propose to authorize the Corporation to take advantage of lower interest rates by issuing refunding bonds and to apply/deposit most of the "Net" savings, after payments of the cost of issuance which shall total approximately $250,000 into the Capital Improvement Fund. Based upon current market conditions as of May 1, 2002, it is estimated that the deposit to the Capital Improvement Fund would be approximately $500,000. If rates were to increase 25 basis points, the amount available to deposit would be approximately $453,000.

Originally, we also proposed adjusting the net revenue allocation from 15% to 25% to provide needed funding into the Capital Improvement Fund and increasing the maximum amount of the Capital Improvement Fund from $500,000 to $2,000,000.

Ms. Anna LaForte
May 22, 2002
Page 3 of 3

MUNI supports the Corporation's request to deposit the "Net" savings from the refunding into the Capital Improvement Account and agreed to further assist the Corporation by increasing the maximum limit from $500,000 to $750,000. However, at this time, MUNI does not support the extra 10% net revenue allocation to the Capital Improvement Fund. Hopefully, as the economy improves, the Corporation could generate higher net revenues and begin to adequately replenish the Capital Improvement Fund. Furthermore, MUNI agreed to revisit the Corporation's capital needs in the future if necessary. In the meantime, the Corporation could use the cash saving from the refunding to address their capital needs for the next several years.

The Corporation is being assisted in this bond refunding by a team of individuals representing: the Department of Parking and Traffic, the Mayor's Office of Public Finance, the City Attorney's Office, Co-Bond Counsels (Orrick, Harrington & Sutcliffe and Lofton and Jennings), Co-Financial Advisors (Public Financial Management and Municipal Capital Management), and Corporation Counsel (Mr. Richard Dole).

As of May 1, 2002, the refunding team estimates a True Interest Cost (TIC) of (4.63% based on present market condition and $500,000 available from the capital improvement account. The final maturity of the bonds would not be extended beyond the term of the Series 1992 Bonds, which is April 1, 2017.

The cost of issuance of the refunding bonds is estimated at ($250,000). However, the Corporation would not be obligated for any significant amount should the market conditions change unfavorably and the refunding bonds are not issued.

The Department recommends adoption of the proposed Resolution.

Cc: Diana Hammons, DPT

SOURCES AND USES OF FUNDS

Ellis-O'Farrell Parking Corporation
2002 Refunding of Series 1992
Current Market Rates as of May 7, 2002 Plus 25 Basis Points
Contingency Fund

Sources:	
Bond Proceeds:	
Par Amount	5,980,000.00
Other Sources of Funds:	
Bond Funds	173,046.00
DSRF	585,693.42
Repair and Replacement Fund	100,000.00
	858,739.42
	6,838,739.42
Uses:	
Project Fund Deposits:	
Contingent Reserve	428,000.00
Refunding Escrow Deposits:	
Cash Deposit	0.66
SLG Purchases	5,454,126.00
	5,454,126.66
Other Fund Deposits:	
Debt Service Reserve Fund	565,939.99
Repair and Replacement Fund	100,000.00
	665,939.99
Delivery Date Expenses:	
Cost of Issuance	250,000.00
Underwriter's Discount	38,870.00
	288,870.00
Other Uses of Funds:	
Additional Proceeds	1,802.77
	6,838,739.42

Note: Run with A Scale Plus 25 Basis Points and no Insurance Cost

SAVINGS

Ellis-O'Farrell Parking Corporation
2002 Refunding of Series 1992
Current Market Rates as of May 7, 2002 Plus 25 Basis Points
Contingency Fund

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 07/10/2002 @ 4.7913607%
04/01/2003	576,320.00	565,939.99	10,880.01	13,444.67
04/01/2004	577,675.00	559,515.50	18,159.50	17,874.02
04/01/2005	577,000.00	560,762.00	16,238.00	15,285.66
04/01/2006	580,256.26	560,272.50	19,983.76	17,656.05
04/01/2007	577,087.50	558,442.50	18,645.00	15,708.45
04/01/2008	577,850.00	560,344.00	17,506.00	14,057.37
04/01/2009	577,187.50	560,714.00	16,473.50	12,603.80
04/01/2010	580,100.00	564,727.00	15,373.00	11,206.87
04/01/2011	576,231.26	557,209.50	19,021.76	13,052.24
04/01/2012	580,937.50	563,842.00	17,095.50	11,180.83
04/01/2013	578,506.26	558,850.00	19,656.26	12,151.23
04/01/2014	579,293.76	562,578.50	16,715.26	9,846.63
04/01/2015	577,943.76	559,486.50	18,457.26	10,290.75
04/01/2016	579,456.26	559,814.50	19,641.76	10,378.17
04/01/2017	578,475.00	558,302.00	20,173.00	10,106.29
	8,674,820.06	8,410,800.49	264,019.57	194,843.04

Savings Summary

PV of savings from cash flow	194,843.04
Less: Prior funds on hand	-858,739.42
Plus: Refunding funds on hand	665,939.99
Net PV Savings	2,043.61
Upfront Savings	428,000.00
Total Savings	$ 430,043.61

Ru with A Scale Plus 25 Basis Points and no Insurance Cost

OFFICE OF THE MAYOR
SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

May 29, 2002

TO: Anna LaForte
Budget Analyst

FROM: Nadia Sesay
Public Finance

RE: Up-front Savings VS Level Savings

We typically structure bonds so that there is level debt service. Therefore, when we structure a refunding, it is structured for level savings, which means that debt service remains level but is lower. In this case, we have decided to structure the savings so that it is realized up front and the debt service over the remaining life of the bonds would remain unchanged (or reduced very slightly). Both types of structures would result in similar present value savings. In the first case, each year's savings would be discounted to the closing date to give you the present value savings. In the second case, the savings are already essentially discounted because they are realized on the closing day.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200, SAN FRANCISCO, CALIFORNIA 94102
(415) 554-6141

ELLIS O'FARRELL PARKING CORPORATION
TEN YEAR SOURCE AND APPLICATION OF FUNDS
YEAR ENDING APRIL 30

	Budget	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
SOURCE OF FUNDS																					
Projected Annual Surplus		966012	768504	86561	$256 320	$266,105	$550,000	$500 500	$583,495	$601,000	$610,030	$637 601	$656,729	$676 431	$696 724	$717 625	$739 154	$701 329	$784,166	$807 604	$ 9 910 963
City Disbursement @ 85%		966012	769504	73577	$217,872	$226,240	$467,500	$481,525	$478,520	$510,850	$510,680	$516,601	$556,219	$529 390	$592 215	$609,981	$433,708	$413,629	$500,168	$606 540 #	$ 7 733 638
Corporation Disbursement @ 15%		0	0	12984	$38 448	$39,925	$82,500	$84,975	$87,524	$90,150	$92 654	$95 640	$98,509	$101 465	$104 509	$107 644	$110 673	$114,109	$117 625	$121 154	$ 1 487 904
Beginning Surplus & Year End Surplus		500000	500000	500000	$0	$0	$194,975	$121,125	$12 625	$0	$9,650	$0	$0	$11,709	$0	$20 009	$34 552	$0	$0	$0	
Initial Deposit from Refunding Bonds 2002						$428 000															
CORPORATION'S TOTAL FUND YEAR END		500000	500000	512904	$38 448	$467,925	$277,475	$206,100	$100,149	$90,150	$102 504	$95 640	$98 509	$113 174	$104 509	$127,852	$145 425	$114 199	$117 025	$121 154	
(Maximum Fund $750 000)																					
APPLICATION OF FUNDS	Budget																				Actual Expenditures
ADA Compliance Modification	132885		480	130006	1889																132375
Decking / Waterproofing	726060		40340	691060																	731400
Electrical	124447		8500	115947																	124447
Office Renovation	17300		800	15565	3965																20330
Parking and Revenue Control System	219180			107506	159518																267024
Interior Painting / Striping	217074			217074																	217074
General Contractor Fee	165310			158205	7500																165705
Architect Supervision & Contingency	81170		8199	39980																	48179
Parking Study - GLOC	30000				20000																20000
Floor Scrubber Tennant	40000				30214																30214
	Est. Cost Current Value																				Includes 3%/yr increase from 2002 projected cost
Office Renovation / Meeting Room	170000					175100															175100
Customer Waiting Area for Valet Service	25000					25750															25750
Valet Station (Canopy) Keys & Vehicle Locator	20000					20900															20800
Employee Break / Locker Rooms Improvement	30000					30900															30900
Additional Pay Station	40000						42400														42400
Entry/Exit Roll up Grid (Controlled Access)	60000							32700	33600												66300
Intercom System	20000					20600															20600
Vicinity Directory / Advertisement	30000						21200	10900													32100
Signage / Graphics	50000										59000										59000
Pedestrian Warning Signals	50000							27250	28000												55250
HVAC (Ellis & Basement)	25000						26500														26500
Controlled Access (Offices/Cashier/Locker)	10000						10600														10800
Digital Cameras (Entry Lanes/Stairwells)	100000							54500	58000												110500
Office Equipment	15000						15900														15900
Parking Equipment (Upgrade - R/H)	210000									80500			86800			93100					260400
Exterior Painting	200000																		284000		284000
Lighting Retrofit	75000						39750	40075													90825
Electrical Generator	125000													150750							150750
Maintenance Equipment	100000										59000				65000						124000
Elevator Retrofit	100000											121000									121000
Drainage / Water Management (Roof)	25000							27250													27250
Waterproofing	500000																340000	347500			687500
Replace Company Truck (1997 Nissan PA1)	15000														19500						19500
																					0
																					0
	1995000																				2454525
TOTAL CAPITAL EXPENSES		0	58319	1475345	231004	272950	156350	193475	117600	80500	118000	121000	86800	158750	84500	93100	340000	347500	284000	0	2454525
CAPITAL EXPENSES FUNDED BY OTHER FUNDS (Construction Fund, Operation & Maintenance/Repair & Replace Fund)			$ 58,319	$ 962,381	$192 636				$17,451		$15,490	$25,360		$45,576			$194,575	$233,301	$168,376	$0 #	$ 698 133
CAPITAL EXPENSES FUNDED BY CAPITAL FUND				$ 512 984	538 448	272950	156350	193475	$100,149	$80 500	$102,504	$95,640	$96 800	$113 174	84500	93100	$145 425	$114 199	$117 625	$0	
CAPITAL FUND YEAR END SURPLUS		$ 500 000	$ 500 000	$ -	$ -	$ 184 075	$ 121 125	$ 12 625	$ -	$ 8 050	$ -	$ -	$ 11 700	$ -	$ 20 000	$ 14 557	$	$	$ -	$ 121 154	$ 370 970

* $1.5 million Capital Improvement Project in 2001 depleted the Corporation's reserved funds. Project included Waterproofing/Decking of Roof and Entry/Exit lanes, ADA Modifications, Electrical Panel Retrofit, Parking & Revenue Control Equipment Upgrades

In Fiscal Years 1999 & 2000 the Corporation did not retain any portion of the surplus revenues because it had reached its maximum limit of $500 000 in the Contingent Reserve Fund

** Revenues projected at 3% annual increase starting 2005

\# Reduction in Revenues (R/R fund) necessary to fund capital expenditures

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: May 29, 2002

TO: Anna LaForte
Analyst
Budget Analyst's Office

FROM: Ronald Szeto RS
Acting Director
Parking Authority

SUBJECT: **City of San Francisco Ellis-O'Farrell Parking Corporation Refunding Bonds (memo 2)**

In the past years, the Corporation had extensive work done at the Garage that costs over $1.5 million, which was well over the amount of funds and the maximum limit of the Contingent Reserve Funds. Our Department and the Controller's were able to assist the Corporation with the needed repairs by utilizing another fund. However, the Contingent Reserve Fund is the fund established and the more appropriate funding source for this type of work. At this time, the Corporation has depleted the funds in the Contingent Reserve Fund.

Originally, we recommended applying/depositing the cash saving from the refunding into the Contingent Reserve Fund, increasing the maximum amount of the from $500,000 to $2,000,000 and the allocation of net revenues from 15% to 25%. However, after discussions with Muni, we agreed that the most beneficial proposal is to apply/deposit the cash saving from the refunding into the Contingent Reserve Fund for needed improvements and to increase the maximum amount from $500,000 to $750,000 to give the Corporation the opportunity to retain all of the cash savings from the refunding and to retain a higher maximum if revenue increases in the future.

Upon refunding the bonds and depositing the cash savings, the Corporation's Contingent Reserve Fund will closely approach the current maximum limit of $500,000. There is always the possibility that the planned capital work for 2003 and subsequent years may not start or be completed exactly as scheduled within the Corporation's fiscal year. For this reason and the real possibility that the economy and the garage revenues will recover in the near future, the proposed Contingent Reserve Fund maximum limit of $750,000 will insure the availability of needed capital improvement funds without imposing a use or lose situation that does not have a negative financial impact to the City.

Items 5 - File 02-0904

Department: Public Utilities Commission (PUC)
Water Department

Item: Ordinance approving revised schedules of rates to be charged by the San Francisco Public Utilities Commission for water service to its retail customers inside and outside the City and County of San Francisco.

Description: The PUC provides water service to two classes of customers. Separate rate schedules are adopted for (a) the Water Department's retail customers in San Francisco and outside the City[1], and (b) the Water Department's "Suburban Resale Customers". Suburban Resale Customers are, collectively, 29 water agencies located in the Counties of Alameda, San Mateo and Santa Clara, that purchase water at wholesale rates from the San Francisco Water Department for resale to their retail customers.

Water rate schedules for retail customers were last revised by the PUC effective July 1, 2001 when retail rates to the water users in San Francisco and outside the City were increased by 8.65 percent. Suburban Resale water rate schedules were last revised effective July 1, 2001 when resale rates were increased by 2.8 percent in accordance with the terms of a 1984 Settlement Agreement described below.

Under Charter Section 2.109, the Board of Supervisors may approve, or reject, any rate, fee or similar charge to be imposed by any department, board or commission.

Proposition H, approved by the voters on June 2, 1998, freezes retail water rates and sewer service charges at their current levels until July 1, 2006, subject to the following exceptions:

- The rate freeze does not apply to the fees charged to customers located outside of San Francisco.

[1] The PUC has approximately 300 retail water customers outside of the City, including 11 private fire protection customers and two municipal departments (the San Francisco International Airport and the Sheriff's Department).

- The rate freeze could be suspended if the City declared an emergency, as defined by Charter Section 3.100.
- The rates could be increased to repay the money borrowed through the issuance of bonds by the City for improvements to the water system approved by the voters in November 1997, but such rate increases can not exceed a total of 18 percent during the period between July 1, 1998 and July 1, 2006.
- The rates could be increased to repay money borrowed for further improvements to the water and sewer systems approved by the voters in the future.

With respect to Suburban Resale rates, the terms of a 1984 Settlement Agreement and Master Water Sales Contract between the Suburban Resale Customers and the City, which were approved by the Board of Supervisors and resolved litigation which had been pending since 1974, dictate the method of rate setting for the Suburban Resale rate. Under that agreement, the City sets the wholesale water rates to recover all operating costs associated with providing water to the Suburban Resale Customers, plus a rate of return on all debt funded assets and revenue funded assets.

Suburban Resale water service revenues, which are realized in excess of the computations made in accordance with the settlement agreement requirements, are credited to a "balancing account" which must be factored into the rate calculation for the following year. If the projected balancing account value and projected revenue from Suburban Resale Customers exceeds or falls short of projected costs and return and depreciation on assets used to provide Suburban Resale water by more than 2 percent, adjustments to the Suburban Resale Customer rate schedules are mandated by the 1984 Settlement Agreement.

The PUC is recommending no change to the existing Suburban Resale rate schedule in FY 2002-2003 because the PUC is projecting an over-payment of 1.3 percent made by the Suburban Resale Customers to the City under the existing rates. If adjustments of this nature are less than 2 percent, the Settlement Agreement does not compel the PUC to reduce the rate to Suburban Resale Customers. Since the estimated 1.3 percent rate

reduction is less than 2 percent, the PUC has the discretion whether or not to make such a rate adjustment. Furthermore, the five year forecast of revenues indicates that rate increases will be required in FY 2003-2004 and subsequent years. Any FY 2002-2003 credit owed to Suburban Resale customers will be used to partially offset future rate increases charged to those customers.

Water Rates for Retail Customers

The PUC is proposing a rate increase for water rates charged to retail customers located in San Francisco and outside of San Francisco, of 8.6 percent on average. The percentage increase for different customers can vary slightly due to the need to round charges to the nearest whole cent. As noted above, Proposition H allows water rates for retail customers to be increased to repay the money borrowed through the issuance of bonds by the City for improvements to the water system approved by the voters in November 1997. As previously noted, such rate increases cannot exceed a total of 18 percent between July 1, 1998 and July 1, 2006 under Proposition H. In November of 1997, San Francisco voters approved $304,000,000 in Water Revenue Bonds. Of that amount, $140,000,000 in Water Revenue Bonds were sold during FY 2001-2002, necessitating an 8.65 percent average rate increase for retail customers. The remaining $164,000,000 in such Water Revenue Bonds is anticipated to be sold during FY 2002-2003, necessitating the proposed 8.6 percent average rate increase for retail customers. The 8.65 percent rate increase in FY 2001-2002, combined with a further 8.6 percent increase in FY 2002-2003 on the increased base rate, would result in a compounded cumulative increase of 17.99 percent for retail customers over a two-year period. However, because of Proposition H, as previously noted, and because all Water Revenue Bonds will have been sold, further retail rate increases are not allowed with respect to the 1997 Bonds.

Debt service costs in FY 2002-2003 are projected to be $39,459,000, comprising (a) $29,306,958 for existing bonds, and (b) $10,152,042 for the additional $164,000,000 in Water Revenue Bonds issued during FY 2002-2003.

Attachment I to this report shows projected revenues and expenditures for FY 2002-2003 under existing rates for both retail and Suburban Resale customers. Attachment II to this report shows projected revenues and expenditures for FY 2002-2003 under the proposed rates for both retail and Suburban Resale customers which includes the 8.6 percent average rate increase for retail customers.

Attachments I and II show projected revenue from the sale of water to retail customers of $70,881,000 from retail customers under existing rates and $76,977,000 under proposed rates, an increase of $6,096,000 or approximately 8.6 percent. Also, under existing rates, the PUC estimates that the unappropriated surplus would decrease from $58,769,000 to $37,683,000, a reduction of $21,086,000 or approximately 35.9 percent. Under the proposed rates, the PUC estimates that the unappropriated surplus would decrease from $58,769,000 to $43,779,000, a reduction of $14,990,000 or approximately 25.5 percent. The PUC recommends an unappropriated fund balance of approximately $44,000,000 as a prudent financial surplus balance to provide for (a) emergency repairs, (b) fluctuations in revenue collections, and (c) preservation of a favorable credit rating.

The table on the following page, provided by the PUC, shows a comparison of typical monthly water bills for residential and commercial retail customers under existing rates and the proposed rates after an increase that averages 8.6 percent. As previously noted, the percentage increase for different customers can vary slightly due to the need to round charges to the nearest whole cent.

COMPARISON OF TYPICAL MONTHLY WATER BILLS TO RETAIL CUSTOMERS

WATER PROVIDER	DATE ADOPTED	SINGLE FAMILY RESIDENTIAL[1]	MULTI-FAMILY RESIDENTIAL[2]	COMMERCIAL RETAIL[3]
San Francisco Existing Rate	7/1/01	13.29	42.40	122.90
San Francisco Proposed Rate	**7/1/02**	**14.43**	**46.10**	**133.60**
Alameda County Water District	1/1/02	16.19	45.69	149.93
Contra Costa Water District	2/1/02	33.93	78.32	394.90
Daly City	7/1/99	16.83	77.53	213.21
East Bay Municipal Utilities District	7/1/01	17.59	56.94	154.52
Hayward	10/1/01	16.24	52.20	173.05
Marin Municipal Water District	6/1/01	23.56	65.14	169.04
Palo Alto	7/1/00	18.37	53.72	144.45
San Jose (Zone 3)	7/1/01	15.44	51.46	138.50
City of Santa Clara	7/1/01	9.68	27.66	69.15

[1] Based on 5/8" meter and monthly use of 700 cubic feet of water
[2] Based on 1-1/2" meter and monthly use of 2,000 cubic feet of water for four dwelling units
[3] Based on 3" meter and monthly use of 5,000 cubic feet of water

As shown in the table above, both existing and proposed rates for the City retail customers are lower than all other Cities and water districts with the exception of the City of Santa Clara for single family residences and commercial establishments, and the exception of the City of Santa Clara and the Alameda County Water District for multi-family residences.

Comment: In accordance with the revenue requirements for Water Revenue Bonds, net revenues in each Fiscal Year must be equal to at least 1.25 times more than the revenue bond annual debt service due in that fiscal year (commonly known as the required debt service coverage ratio). Based on the PUC's recommended rate increase of 8.6 percent for retail customers and no rate increase for Suburban Resale Customers, the projected debt service coverage at

the end of FY 2001-2002 would be 2.62[2], or 1.37 above the required debt service coverage ratio of 1.25. By comparison, if the retail water rates stayed the same, debt service coverage would decrease to 2.47 in FY 2002-2003[3], which is 1.22 above the required debt service coverage ratio of 1.25. A comparison of estimated retail customer revenues for FY 2002-2003 of $70,881,000 under existing rates to the estimated revenues of $76,977,000 under the proposed rates indicates the Water Department is able to meet the debt service coverage requirement specified in the Water Department's bond indenture, but is not able to meet the cash requirements of the water system without using the unappropriated surplus balance to supplement current revenues. This is illustrated by the fact that, even under the proposed retail water rates, the Water Department's total projected revenues of $169,919,000 are less than its total projected operating and debt service costs of $184,909,000, as shown in Attachment II.

Recommendation: Approve the proposed ordinance.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

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[2] This calculation is shown on page 23 of the *Report on Water Rates for Fiscal Year 2003*, published by the PUC on April 23, 2002.

[3] This calculation is shown on page 13 of the *Report on Water Rates for Fiscal Year 2003*, published by the PUC on April 23, 2002.

PROJECTION OF REVENUES UNDER EXISTING RATES
FISCAL YEAR 2002-2003
($000)

	CITY	SUBURBAN	TOTAL
AVAILABLE FUNDS			
Unappropriated Surplus 7/1	$58,769		$58,769
Balancing Account	(8,113)	$8,113	
Revenues from Sale of Water	70,881	77,779	148,660
Rents	8,000		8,000
Interest Income	3,561		3,561
Miscellaneous	3,602		3,602
Total Revenues	86,044	77,779	163,823
Total Available Funds	$136,700	$85,892	$222,592
APPLICATION OF FUNDS			
Operating Expenses	$97,611	$47,839	$145,450
Debt Service	39,459		39,459
Subtotal Expenditures	$137,070	$47,839	$184,909
Suburban Depreciation Expense	$(16,744)	$16,744	
Suburban Return	(20,786)	20,786	
Interest	487	(487)	
Total Application of Funds	$100,027	$84,882	$184,909
Unappropriated Balance 6/30	$36,673	$1,010	$37,683

Source: Public Utilities Commission

PROJECTION OF REVENUES UNDER PROPOSED RATES
FISCAL YEAR 2002-2003
($000)

	CITY	SUBURBAN	TOTAL
AVAILABLE FUNDS			
Unappropriated Surplus 7/1	$58,769		$58,769
Balancing Account	(8,113)	$8,113	
Revenues from Sale of Water	76,977	77,779	154,756
Rents	8,000		8,000
Interest Income	3,561		3,561
Miscellaneous	3,602		3,602
Total Revenues	90,140	77,779	169,919
Total Available Funds	$142,796	$85,892	$228,688
APPLICATION OF FUNDS			
Operating Expenses	$97,611	$47,839	$145,450
Debt Service	39,459		39,459
Subtotal Expenditures	$137,070	$47,839	$184,909
Suburban Depreciation Expense	$(16,744)	$16,744	
Suburban Return	(20,786)	20,786	
Interest	487	(487)	
Total Application of Funds	$100,027	$84,882	$184,909
Unappropriated Balance 6/30	$42,769	$1,010	$43,779

Source: Public Utilities Commission

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

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/12/02

City and County of San Francisco
Meeting Agenda
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Wednesday, June 12, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. 020842 **[Competitive Bid and Prevailing Wage Exemption for Job Training]**
Supervisor Maxwell

Ordinance exempting the San Francisco Conservation Corps from the prevailing wage requirements and waiving the competitive bid requirements for the recreation and Park Commission's award of a contract for construction of playgrounds, restoration of natural areas and implementation of erosion control measures in San Francisco parks.

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

5/29/02, CONTINUED. Heard in Committee. Speakers: Marvin Yee, Recreation and Park Department; Harvey Rose, Budget Analyst; Anne Cochran, Executive Director, San Francisco Conservation Corps.
Continued to 6/5/02

6/5/02, CONTINUED. Speakers: None.
Continued to 6/12/02.

2. 020853 [Veterans Building General Obligation Bonds]

Supervisors Sandoval, Daly

Resolution determining and declaring that the public interest and necessity demand municipal improvements consisting of the acquisition, rehabilitation, renovation, improvement, construction and/or reconstruction by the City and County of San Francisco of the San Francisco War Memorial Veterans Building, and all other works, property and structures necessary or convenient for the foregoing purposes; that the estimated cost of $98,100,000 for said municipal improvements is and will be too great to be paid out of the ordinary annual income and revenue of said City and County and will require the incurring of bonded indebtedness; finding the project shall comply with the Secretary of the Interior's guidelines; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53.

(Fiscal impact.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

6/5/02, CONTINUED. Heard in Committee. Speakers: Tom Horne, President, War Memorial Board of Trustees; Beth Murray, Managing Director, War Memorial Board; Mort Raphael, San Francisco Performing Arts Library and Museum; Sydney Goldstein, Executive Director, City Arts and Lectures; Herman Berlandt, National Poetry Association; Deborah Walker; Jim Haas, Chairman, Civic Pride; Tilly Abbe, Ballet With Miss Tilly; Male Speaker; Vince Rios; Wallace Levin, Veterans Affairs Commission; Lorna Silberman; Colonel Robert Frank, U.S. Air Force (Retired); Nancy Peterson, President, United Nations Association of San Francisco; Jack Trad; Jerome Sapiro, Jr.; Merv Silverberg; Richard Ceras; Jim Buker, Department of Public Works; Monique Moyer, Mayor's Office of Public Finance.
Continued to 6/12/02.

3. 020854 [Veterans Building Lease Revenue Bonds]

Supervisors Sandoval, Daly

Resolution of the Board of Supervisors submitting to the qualified electors of the City and County of San Francisco a proposition authorizing the construction of additional improvements and renovations to the San Francisco War Memorial Veterans Building using lease financing in the amount of $39,400,000; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan Consistency requirement of Administrative Code Section 2A.53; finding the project shall comply with the Secretary of the Interior's guidelines.

(Fiscal impact.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

6/5/02, AMENDED. Heard in Committee. Speakers: Tom Horne, President, War Memorial Board of Trustees; Beth Murray, Managing Director, War Memorial Board; Mort Raphael, San Francisco Performing Arts Library and Museum; Sydney Goldstein, Executive Director, City Arts and Lectures; Herman Berlandt, National Poetry Association; Deborah Walker; Jim Haas, Chairman, Civic Pride; Tilly Abbe, Ballet With Miss Tilly; Male Speaker; Vince Rios; Wallace Levin, Veterans Affairs Commission; Lorna Silberman; Colonel Robert Frank, U.S. Air Force (Retired); Nancy Peterson, President, United Nations Association of San Francisco; Jack Trad; Jerome Sapiro, Jr.; Merv Silverberg; Richard Ceras; Jim Buker, Department of Public Works; Monique Moyer, Mayor's Office of Public Finance.
Amended on page 1, line 6, after "financing," by adding "in the amount of $39,400,000."
Continued to 6/12/02.

6/5/02, CONTINUED.

4. 020856 [Pedestrian Safety and Livable Streets General Obligation Bonds]

Supervisor Ammiano

Resolution determining and declaring that the public interest and necessity demand the financing of street resurfacing, curb ramp construction, sidewalk improvement and street structure improvement projects, street signal and fire alarm call box improvement projects, street improvements for bicycle use and all other structures and improvements necessary or convenient for the foregoing purposes, that the estimated cost of $150,000,000 is and will be too great to be paid out of the ordinary annual income and revenue of said City and County and will require the incurring of a bonded indebtedness; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53.

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.
6/5/02, CONTINUED. Speakers: None.
Continued to 6/12/02.

5. 020892 [Mortgage Revenue Bonds]

Mayor

Resolution declaring the intent of the City and County of San Francisco (the "City") to reimburse certain expenditures from proceeds of future indebtedness; authorizing the Director of the Mayor's Office of Housing (the "Director") to submit an application and related documents to the California Debt Limit Allocations Committee to permit the issuance of qualified mortgage bonds in an amount not to exceed $19,000,000; authorizing the Mayor's Office of Housing to direct the Controller's Office to hold in trust an amount not to exceed $95,000; authorizing the Director to certify that the City has on deposit the required amount; authorizing the Mayor's Office of Housing to pay an amount equal to the deposit to the State of California if the City fails to issue the qualified mortgage bonds; and authorizing and directing the execution of any documents necessary to implement this Resolution and of any documents necessary to implement this Resolution; and ratifying and approving any action heretofore taken in connection with the Project (as defined herein) and the application. (Mayor)

5/21/02, RECEIVED AND ASSIGNED to Finance Committee.
6/5/02, CONTINUED. Speakers: None.
Continued to 6/12/02.

6. 020996 [MOU Building Inspectors Association (Class 6334)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Building Inspectors' Association (Class 6334) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

7. 020997 **[MOU, Automotive Machinists Union, Local 1414]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Automotive Machinists, Local 1414 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

8. 020998 **[MOU, Bricklayers, Local 3]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Bricklayers, Stone Masons, Terrazo Mechanics, Marble Masons, Pointers, Caulkers and Cleaners, Local 3 and Hodcarriers, Local 36 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

9. 020999 **[MOU, Building Inspectors Association (Class 6331, 6333)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Building Inspectors' Association (Class 6331, Class 6333) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

10. 021000 **[MOU, Carpenters, Local 22]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Carpenters, Local 22 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

11. 021001 [MOU, Cement Masons, Local 580]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Cement Masons, Local 580 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

12. 021002 [MOU, Deputy Probation Officers Association]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Deputy Probation Officers' Association by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

13. 021003 [MOU, Deputy Sheriff's Association]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Deputy Sheriffs' Association of San Francisco, Inc. by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

14. 021004 [MOU, District Attorney Investigators Association]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco District Attorney Investigators Association by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

15. 021005 [MOU, Electrical Workers, Local 6]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Brotherhood of Electrical Workers, Local 6, American Federation of Labor, by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

16. 021006 [MOU, Firefighters, Local 798 (Unit 1)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Fire Fighters Union, Local 798 IAFF, AFL-CIO, Unit 1 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

17. 021007 [MOU, Firefighters, Local 798 (Unit II)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Fire Fighters Union, Local 798 IAFF, AFL-CIO, Unit 2 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

18. 021008 [MOU, Glaziers, Local 718]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Glaziers, Architectural Metal and Glass Workers, Local 718, by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

19. 021009 **[MOU, Hod Carriers, Local 36]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Hod Carriers, Local 36, by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

20. 021010 **[MOU, Institutional Police Officers Association]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Institutional Police Officers' Association by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

21. 021011 **[MOU, IATSE, Local 16]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Alliance of Theatrical Stage Employees, Local 16 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

22. 021012 **[MOU, Ironworkers, Local 377]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Association of Bridge, Structural Ornamental, Reinforced Iron Workers, Riggers and Machinery Movers, Local 377 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

23. 021013 **[MOU, Laborers Union, Local 261]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Laborers International Union, Local 261 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

24. 021014 **[MOU, Municipal Attorneys' Association]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Municipal Attorneys' Association of San Francisco by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

25. 021015 **[MOU, Municipal Executives' Association (Misc)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Municipal Executives' Association (Misc.) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

26. 021016 **[MOU, Municipal Executives' Association (Police)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Municipal Executives' Association (Police Management) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

27. 021017 [MOU, Municipal Executives' Association (Fire)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Municipal Executives' Association (Fire Management) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations.

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

28. 021018 [MOU, Pile Drivers, Local 34]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Pile Drivers, Divers, Carpenters, Bridge, Wharf and Dock Builders, Local 34 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

29. 021019 [MOU, Plasterers, Local 66]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Plasterers' and Shophands', Local 66 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

30. 021020 [MOU, Operating Engineers, Local 3]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Operating Engineers Local Union No. 3 of the International Union of Operating Engineers, AFL-CIO by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

31. 021021 **[MOU, Painters Union, Local 4]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Painters Union District Council #8 for Local 4 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

32. 021022 **[MOU, Plumbers, Local 38]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local #38 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

33. 021023 **[MOU, Police Officers Association]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Police Officers' Association (SFPOA) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

34. 021024 **[MOU, IFPTE, Local 21]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Federation of Professional and Technical Engineers, Local 21 AFL-CIO by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

35. 021025 [MOU, Roofers, Local 40]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the United Union of Roofers, Waterproofers and Allied Workers, Local 40 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

36. 021026 [Union of American Physicians and Dentists (Unit 11-AA)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Union of American Physicians and Dentists (Unit 11-AA) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

37. 021027 [MOU, Sheet Metal Workers, Local 104]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Sheet Metal Workers International Union, Local 104 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

38. 021028 [MOU, Amendment No. 2, IFPTE, Local 21]

Ordinance adopting and implementing Amendment No. 2 to the Memorandum of Understanding between the International Federation of Professional and Technical Engineers, Local 21 AFL-CIO and the City and County of San Francisco pursuant to an arbitration award providing for a wage adjustment for employees assigned to classification 5212 (Principal Engineer), administrative leave for employees assigned to classification 5212 (Principal Engineer), and reimbursement of certain benefits no longer available to employees assigned to classifications 1888 (Resource Efficiency and Energy Conservation Manager), 2978 (Contract Compliance Officer II), 5212 (Principal Engineer), and 9386 (Senior Property Manager, Port), effective July 1, 2002. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

39. 021029 **[MOU, Sanitary Truck Drivers and Helpers, Teamsters, Local 350]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Sanitary Truck Drivers and Helpers, Teamsters, Local 350 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

40. 021030 **[MOU, Stationary Engineers, Local 39]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Union of Operating Engineers, Stationary Engineers, Local 39 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

41. 021031 **[MOU, Supervising Probation Officers Association]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Operating Engineers, Local 3 Bargaining for Supervising Probation Officers by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

42. 021032 **[MOU, Supervising Registered Nurses, Teamsters Local 856]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Teamsters Local 856 for Supervising Nurses by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

43. 021033 [MOU, Teamsters, Local 853]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Teamsters, Local 853 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

44. 021034 [MOU, Teamsters, Local 856 (Multi-Unit)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Teamsters, Local 856 (Multi-Unit) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

45. 021035 [MOU, Transport Workers Union, Local 200 (SEAM)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Transport Workers Union of America, Local 200 (SEAM) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

46. 021036 [MOU, Transport Workers Union , Local 250-A (7410)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Transport Workers Union of America, Local 250-A (7410's) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

47. 021037 **[MOU, Transport Workers Union, Local 250-A (Misc.)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Transport Workers Union of America, Local 250-A (Misc.) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

48. 021038 **[MOU, Union of American Physicians and Dentists (Unit 8-CC)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Union of American Physicians and Dentists (Unit 8-CC) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

49. 020778 **[Official Advertising]**

Resolution designating the San Francisco Independent to be the official newspaper of the City and County of San Francisco for the category of non-consecutive day official advertising, for the fiscal year commencing July 1, 2002 and ending June 30, 2003. (Purchaser)

5/15/02, RECEIVED AND ASSIGNED to Finance Committee.

50. 020779 **[Outreach Advertising]**

Resolution designating the Asian Week to be outreach newspaper of the City and County of San Francisco for the Chinese community and El Reportero to be outreach newspaper of the City and County of San Francisco for the Hispanic community, for outreach advertising for the fiscal year commencing July 1, 2002 and ending June 30,
2003. (Purchaser)

5/15/02, RECEIVED AND ASSIGNED to Finance Committee.

SPECIAL ORDER - 2:00 PM

51. 020889 **[San Francisco Business Tax]**

Supervisor Peskin

Hearing to address reform of the San Francisco Business Tax to ensure that the City's tax ordinance distributes tax burden among San Francisco businesses in a fair and equitable manner. This hearing is intended to assess the City's current tax collection in the wake of the Gross Receipts Tax Lawsuit and appropriate alternatives that exist to amend the tax code.

5/20/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at a Special Meeting of the Finance Committee on June 5, 2002 at 12:30 PM.

6/5/02, CONTINUED. Heard in Committee. Speakers: Edward Harrington, Controller; Dr. Richard Pomp; Dr. Steven Sheffrin; Bruce Allison; Marc Norton; Ken Cleveland, Business Owners and Managers Association; Kathleen Harrington, Golden Gate Restaurant Association; Male Speaker; Carl Kramer, San Francisco Living Wage Coalition; Robert Baezly; Margaret Brodkin, Coleman Advocates for Children; Gary Kaplan, Chair of Taxation Section, Bar Association of San Francisco; Deborah Monroe; Paul Kumar, Health Care Workers Union; Robert Haaland, Harvey Milk LGBT Democratic Club; Rebecca Vilmerkerson, People's Budget; Supervisor McGoldrick; Eileen Griffin, Property Manager, Equity Office Properties; Nathan Nayman, Executive Committee on Jobs; Barry Hermanson; Jim Mathias, San Francisco Chamber of Commerce.

Continued to 6/12/02, as a Special Order at 2:00 p.m.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceeding begins, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to Committee Clerk, Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, California 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above.

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.42 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.ci.sf.ca.us/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are televised on channel 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

The following services are available when requested by 4:00 p.m. of the Friday before the Board meeting:

For American Sign Language interpreters, use of a reader during a meeting, or sound enhancement system, contact Ohn Myint at (415) 554-7704.

For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.

The Clerk of the Board's Office TTY number for speech-hearing impaired is (415) 554-5227.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 409, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org
Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/bdsupvrs/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Wednesday, June 12, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

Supervisor Ammiano appointed himself to serve as a member of the Finance Committee.

MEETING CONVENED

The meeting convened at 12:43 p.m.

020842 **[Competitive Bid and Prevailing Wage Exemption for Job Training]**

Supervisor Maxwell

Ordinance exempting the San Francisco Conservation Corps from the prevailing wage requirements and waiving the competitive bid requirements for the Recreation and Park Commission's award of a contract for construction of playgrounds, restoration of natural areas and implementation of erosion control measures in San Francisco parks.

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

5/29/02, CONTINUED. Heard in Committee. Speakers: Marvin Yee, Recreation and Park Department; Harvey Rose, Budget Analyst; Anne Cochran, Executive Director, San Francisco Conservation Corps.
Continued to 6/5/02

6/5/02, CONTINUED. Speakers: None.
Continued to 6/12/02.

Speakers: None.

TABLED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020853 **[Veterans Building General Obligation Bonds]**

Supervisors Sandoval, Daly

Resolution determining and declaring that the public interest and necessity demand municipal improvements consisting of the acquisition, rehabilitation, renovation, improvement, construction and/or reconstruction by the City and County of San Francisco of the San Francisco War Memorial Veterans Building, and all other works, property and structures necessary or convenient for the foregoing purposes; that the estimated cost of $98,100,000 for said municipal improvements is and will be too great to be paid out of the ordinary annual income and revenue of said City and County and will require the incurring of bonded indebtedness; finding the project shall comply with the Secretary of the Interior's guidelines; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53.

(Fiscal impact.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

6/5/02, CONTINUED. Heard in Committee. Speakers: Thomas Hom, President, War Memorial Board of Trustees; Beth Murray, Managing Director, War Memorial Board; Mort Raphael, San Francisco Performing Arts Library and Museum; Sydney Goldstein, Executive Director, City Arts and Lectures; Herman Berlandt, National Poetry Association; Deborah Walker; Jim Haas, Chairman, Civic Pride; Tilly Abbe, Ballet With Miss Tilly; Male Speaker; Vince Rios; Wallace Levin, Veterans Affairs Commission; Loma Silberman; Colonel Robert Frank, U.S. Air Force (Retired); Nancy Peterson, President, United Nations Association of San Francisco; Jack Trad; Jerome Sapiro, Jr.; Merv Silverberg; Richard Ceras; Jim Buker, Department of Public Works; Monique Moyer, Mayor's Office of Public Finance.

Continued to 6/12/02.

Heard in Committee. Speakers: Elizabeth Murray, Managing Director, War Memorial Board; Theodore Lakey, Deputy City Attorney; Jerome Sapiro, Jr.; Jim Lineberger; Colonel Robert Frank, President, Air Force Association, American Legion Post 333, San Francisco Veterans Coalition; Paul Cox, American Legion War Memorial Commission; Marian Kohlstedt, San Francisco Performances; Male Speaker; Richard Ow, Chinatown Post, Veterans of Foreign Wars; Major General Robert Menist, Association of U.S. Army; Mr. Crowley; Commissioner Vince Rios, Veterans Affairs Commission; Association for Service Disabled Veterans; Thomas Horn, President, War Memorial Board of Trustees.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution determining and declaring that the public interest and necessity demand municipal improvements consisting of the acquisition, rehabilitation, renovation, improvement, construction and/or reconstruction by the City and County of San Francisco of the San Francisco War Memorial Veterans Building, and all other works, property and structures necessary or convenient for the foregoing purposes; that the estimated cost of $122,755,000 for said municipal improvements is and will be too great to be paid out of the ordinary annual income and revenue of said City and County and will require the incurring of bonded indebtedness; finding the project shall comply with the Secretary of the Interior's guidelines; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53.

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020854 [Veterans Building Lease Revenue Bonds]

Supervisors Sandoval, Daly

Resolution of the Board of Supervisors submitting to the qualified electors of the City and County of San Francisco a proposition authorizing the construction of additional improvements and renovations to the San Francisco War Memorial Veterans Building using lease financing in the amount of $39,400,000; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan Consistency requirement of Administrative Code Section 2A.53; finding the project shall comply with the Secretary of the Interior's guidelines.

(Fiscal impact.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

6/5/02, AMENDED. Heard in Committee. Speakers: Thomas Horn, President, War Memorial Board of Trustees; Beth Murray, Managing Director, War Memorial Board; Mort Raphael, San Francisco Performing Arts Library and Museum; Sydney Goldstein, Executive Director, City Arts and Lectures; Herman Berlandt, National Poetry Association; Deborah Walker; Jim Haas, Chairman, Civic Pride; Tilly Abbe, Ballet With Miss Tilly; Male Speaker; Vince Rios; Wallace Levin, Veterans Affairs Commission; Loma Silberman; Colonel Robert Frank, U.S. Air Force (Retired); Nancy Peterson, President, United Nations Association of San Francisco; Jack Trad; Jerome Sapiro, Jr.; Merv Silverberg; Richard Ceras; Jim Buker, Department of Public Works; Monique Moyer, Mayor's Office of Public Finance.

Amended on page 1, line 6, after "financing," by adding "in the amount of $39,400,000."

Continued to 6/12/02.

6/5/02, CONTINUED AS AMENDED.

Heard in Committee. Speakers: Elizabeth Murray, Managing Director, War Memorial Board; Theodore Lakey, Deputy City Attorney; Jerome Sapiro, Jr.; Jim Lineberger; Colonel Robert Frank, President, Air Force Association, American Legion Post 333, San Francisco Veterans Coalition; Paul Cox, American Legion War Memorial Commission; Marian Kohlstedt, San Francisco Performances; Male Speaker; Richard Ow, Chinatown Post, Veterans of Foreign Wars; Major General Robert Menist, Association of U.S. Army; Mr. Crowley; Commissioner Vince Rios, Veterans Affairs Commission; Association for Service Disabled Veterans; Thomas Horn, President, War Memorial Board of Trustees.

TABLED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020856 **[Pedestrian Safety and Livable Streets General Obligation Bonds]**

Supervisors Ammiano, McGoldrick

Resolution determining and declaring that the public interest and necessity demand the financing of street resurfacing, curb ramp construction, sidewalk improvement and street structure improvement projects, street signal and fire alarm call box improvement projects, street improvements for bicycle use and all other structures and improvements necessary or convenient for the foregoing purposes, that the estimated cost of $150,000,000 is and will be too great to be paid out of the ordinary annual income and revenue of said City and County and will require the incurring of a bonded indebtedness; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53.

(Government Code Sections 43607 and 43608, requires eight votes for passage.)

5/20/02, RECEIVED AND ASSIGNED to Finance Committee.

6/5/02, CONTINUED. Speakers: None.
Continued to 6/12/02.

Heard in Committee. Speakers: Tina Olson, Department of Public Works; Nick Carr, Department of Parking and Traffic; Walter Park, Mayor's Office on Disability; Peter Tannen, Bicycle Program Manager, Department of Parking and Traffic; Leah Shea, Co-Chair, Pedestrian Safety and Street Resurfacing Working Group; Ms. Lombardi; Pedestrian Safety and Street Resurfacing Working Group; Joe Ovadia, Department of Public Works; Monique Moyer, Mayor's Office of Public Finance.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020892 **[Mortgage Revenue Bonds]**

Mayor

Resolution declaring the intent of the City and County of San Francisco (the "City") to reimburse certain expenditures from proceeds of future indebtedness; authorizing the Director of the Mayor's Office of Housing (the "Director") to submit an application and related documents to the California Debt Limit Allocations Committee to permit the issuance of qualified mortgage bonds in an amount not to exceed $19,000,000; authorizing the Mayor's Office of Housing to direct the Controller's Office to hold in trust an amount not to exceed $95,000; authorizing the Director to certify that the City has on deposit the required amount; authorizing the Mayor's Office of Housing to pay an amount equal to the deposit to the State of California if the City fails to issue the qualified mortgage bonds; and authorizing and directing the execution of any documents necessary to implement this Resolution and of any documents necessary to implement this Resolution; and ratifying and approving any action heretofore taken in connection with the Project (as defined herein) and the application. (Mayor)

5/21/02, RECEIVED AND ASSIGNED to Finance Committee.

6/5/02, CONTINUED. Speakers: None.
Continued to 6/12/02.

Heard in Committee. Joel Lipski, Mayor's Office of Housing.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020996 **[MOU Building Inspectors Association (Class 6334)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Building Inspectors' Association (Class 6334) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

020997 **[MOU, Automotive Machinists Union, Local 1414]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Automotive Machinists, Local 1414 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

020998 **[MOU, Bricklayers, Local 3]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Bricklayers, Stone Masons, Terrazo Mechanics, Marble Masons, Pointers, Caulkers and Cleaners, Local 3 and Hodcarriers, Local 36 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

020999 **[MOU, Building Inspectors Association (Class 6331, 6333)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Building Inspectors' Association (Class 6331, Class 6333) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021000 [MOU, Carpenters, Local 22]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Carpenters, Local 22 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021001 [MOU, Cement Masons, Local 580]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Cement Masons, Local 580 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations.

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021002 **[MOU, Deputy Probation Officers Association]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Deputy Probation Officers' Association by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021003 **[MOU, Deputy Sheriff's Association]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Deputy Sheriff's Association of San Francisco, Inc. by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

021004 [MOU, District Attorney Investigators Association]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco District Attorney Investigators Association by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

021005 [MOU, Electrical Workers, Local 6]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Brotherhood of Electrical Workers, Local 6, American Federation of Labor, by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

021006 [MOU, Firefighters, Local 798 (Unit 1)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Fire Fighters Union, Local 798 IAFF, AFL-CIO, Unit 1 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

021007 [MOU, Firefighters, Local 798 (Unit II)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Fire Fighters Union, Local 798 IAFF, AFL-CIO, Unit II by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021008 [MOU, Glaziers, Local 718]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Glaziers, Architectural Metal and Glass Workers, Local 718, by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021009 [MOU, Hod Carriers, Local 36]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Hod Carriers, Local 36, by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021010 [MOU, Institutional Police Officers Association]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Institutional Police Officers' Association by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

021011 [MOU, IATSE, Local 16]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Alliance of Theatrical Stage Employees, Local 16 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

021012 [MOU, Ironworkers, Local 377]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Association of Bridge, Structural Ornamental, Reinforced Iron Workers, Riggers and Machinery Movers, Local 377 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021013 [MOU, Laborers Union, Local 261]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Laborers International Union, Local 261 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021014 **[MOU, Municipal Attorneys' Association]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Municipal Attorneys' Association of San Francisco by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021015 **[MOU, Municipal Executives' Association (Misc)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Municipal Executives' Association (Misc.) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021016 [MOU, Municipal Executives' Association (Police)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Municipal Executives' Association (Police Management) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021017 [MOU, Municipal Executives' Association (Fire)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Municipal Executives' Association (Fire Management) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations.

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021018 **[MOU, Pile Drivers, Local 34]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Pile Drivers, Divers, Carpenters, Bridge, Wharf and Dock Builders, Local 34 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021019 **[MOU, Plasterers, Local 66]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Plasterers' and Shophands', Local 66 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021020 [MOU, Operating Engineers, Local 3]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Operating Engineers Local Union No. 3 of the International Union of Operating Engineers, AFL-CIO by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021021 [MOU, Painters Union, Local 4]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Painters Union District Council #8 for Local 4 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021022 **[MOU, Plumbers, Local 38]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local #38 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021023 **[MOU, Police Officers Association]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the San Francisco Police Officers' Association (SFPOA) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021024 [MOU, IFPTE, Local 21]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Federation of Professional and Technical Engineers, Local 21 AFL-CIO by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021025 [MOU, Roofers, Local 40]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the United Union of Roofers, Waterproofers and Allied Workers, Local 40 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021026 **[Union of American Physicians and Dentists (Unit 11-AA)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Union of American Physicians and Dentists (Unit 11-AA) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021027 **[MOU, Sheet Metal Workers, Local 104]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Sheet Metal Workers International Union, Local 104 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021028 **[MOU, Amendment No. 2, IFPTE, Local 21]**

Supervisor Daly

Ordinance adopting and implementing Amendment No. 2 to the Memorandum of Understanding between the International Federation of Professional and Technical Engineers, Local 21 AFL-CIO and the City and County of San Francisco pursuant to an arbitration award providing for a wage adjustment for employees assigned to classification 5212 (Principal Engineer), administrative leave for employees assigned to classification 5212 (Principal Engineer), and reimbursement of certain benefits no longer available to employees assigned to classifications 1888 (Resource Efficiency and Energy Conservation Manager), 2978 (Contract Compliance Officer II), 5212 (Principal Engineer), and 9386 (Senior Property Manager, Port), effective July 1, 2002. (Mayor)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

021029 **[MOU, Sanitary Truck Drivers and Helpers, Teamsters, Local 350]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Sanitary Truck Drivers and Helpers, Teamsters, Local 350 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021030 [MOU, Stationary Engineers, Local 39]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the International Union of Operating Engineers, Stationary Engineers, Local 39 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021031 [MOU, Supervising Probation Officers Association]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Operating Engineers, Local 3 Bargaining for Supervising Probation Officers by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021032 [MOU, Supervising Registered Nurses, Teamsters Local 856]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Teamsters Local 856 for Supervising Nurses by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021033 [MOU, Teamsters, Local 853]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Teamsters, Local 853 by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021034 **[MOU, Teamsters, Local 856 (Multi-Unit)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Teamsters, Local 856 (Multi-Unit) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021035 **[MOU, Transport Workers Union, Local 200 (SEAM)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Transport Workers Union of America, Local 200 (SEAM) by appending a Letter of Agreement conceming the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021036 [MOU, Transport Workers Union , Local 250-A (7410)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Transport Workers Union of America, Local 250-A (7410's) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021037 [MOU, Transport Workers Union, Local 250-A (Misc.)]

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Transport Workers Union of America, Local 250-A (Misc.) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

021038 **[MOU, Union of American Physicians and Dentists (Unit 8-CC)]**

Ordinance adopting and implementing an amendment to the 2001-2003 Collective Bargaining Agreement between the City and County of San Francisco and the Union of American Physicians and Dentists (Unit 8-CC) by appending a Letter of Agreement concerning the City's 2002-2003 budget which provides: (a) for the City to reduce its "pick-up" of the required employee contribution to the retirement system by 2.75% of the employees' compensation effective July 1, 2002 through June 30, 2003; (b) a 1% base wage increase effective close of business June 30, 2003 and; (c) a no layoff commitment in fiscal year 2002-2003 for employees represented by participating employee organizations. (Mayor)

(Supervisor Daly dissenting in Committee.)

6/3/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Steve Kawa, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Services; Alice Villagomez, Employee Relations Division, Department of Human Services; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

020778 **[Official Advertising]**

Resolution designating the San Francisco Independent to be the official newspaper of the City and County of San Francisco for the category of non-consecutive day official advertising, for the fiscal year commencing July 1, 2002 and ending June 30, 2003. (Purchaser)

5/15/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Michael Ward, Assistant Director of Purchasing, Purchasing Division, Office of Contract Administration; Marc Chamot; Eddie Rosario, Vice President, Director of Organizing, Graphic Communications International Union, Local 4N; Grant Corley; Timm Sinclair; Charles Minster; Walter Johnson, San Francisco Labor Council; Denis Mosgofian; Howard Wallace; Theodore Lakey, Deputy City Attorney.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020779 **[Outreach Advertising]**

Resolution designating the Asian Week to be outreach newspaper of the City and County of San Francisco for the Chinese community and El Reportero to be outreach newspaper of the City and County of San Francisco for the Hispanic community, for outreach advertising for the fiscal year commencing July 1, 2002 and ending June 30,2003. (Purchaser)

5/15/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Michael Ward, Assistant Director of Purchasing, Purchasing Division, Office of Contract Administration; Willie Ratcliff, Publisher, San Francisco Bayview; Luis Espinosa, Senior Purchaser, Purchasing Division, Office of Contract Administration; Michael Lam, Chairman of the Board, Chinese Times; Commissioner Richard Ow; Thomas Sie, President, Chinese Times; Jason Ho, General Manager, Chinese Times; Serena Scales, El Mensajero; Carmen Ruiz, El Latino; Diane Perez, Board of Supervisors; Theodore Lakey, Deputy City Attorney.

Amendment of the Whole prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution designating the Asian Week to be outreach newspaper of the City and County of San Francisco for the Chinese community; El Reportero to be outreach newspaper of the City and County of San Francisco for the Hispanic community; the Bay Area Reporter to be outreach newspaper of the City and County of San Francisco for the Gay/Lesbian/Bisexual/Transgender community; and the San Francisco Bay View to be outreach newspaper of the City and County of San Francisco for the African American community, for outreach advertising for the fiscal year commencing July 1, 2002 and ending June 30, 2003. (Purchaser)

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

SPECIAL ORDER - 2:00 PM

020889 **[San Francisco Business Tax]**

Supervisor Peskin

Hearing to address reform of the San Francisco Business Tax to ensure that the City's tax ordinance distributes tax burden among San Francisco businesses in a fair and equitable manner. This hearing is intended to assess the City's current tax collection in the wake of the Gross Receipts Tax Lawsuit and appropriate alternatives that exist to amend the tax code.

5/20/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at a Special Meeting of the Finance Committee on June 5, 2002 at 12:30 PM.

6/5/02, CONTINUED. Heard in Committee. Speakers: Edward Harrington, Controller; Dr. Richard Pomp; Dr. Steven Sheffrin; Bruce Allison; Marc Norton; Ken Cleveland, Business Owners and Managers Association; Kathleen Harrington, Golden Gate Restaurant Association; Male Speaker; Carl Kramer, San Francisco Living Wage Coalition; Robert Baezly; Margaret Brodkin, Coleman Advocates for Children; Gary Kaplan, Chair of Taxation Section, Bar Association of San Francisco; Debra Mugnani Monroe, Monroe Personnel Service LLC/Temptime; Paul Kumar, Health Care Workers Union; Robert Haaland, Harvey Milk LGBT Democratic Club; Rebecca Vilmerkerson, People's Budget; Supervisor McGoldrick; Eileen Griffin, Property Manager, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Barry Hermanson; Jim Mathias, San Francisco Chamber of Commerce.
Continued to 6/12/02, as a Special Order at 2:00 p.m.

Heard in Committee. Speakers: Edward Harrington, Controller; Susan Leal, Treasurer-Tax Collector; Barry Hermanson; Julie Van Nostern, Deputy City Attorney; Raymond Lee; Jim Mathias, San Francisco Chamber of Commerce; Nathan Nayman, Executive Director, Committee on Jobs; Debra Mugnani Monroe, Monroe Personnel Service LLC/Temptime; La Wanna Preston, Staff Director, Service Employees International Union, Local 790; Chris Maddy, Local 250; Linda Joseph, Local 535.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

ADJOURNMENT

The meeting adjourned at 5:25 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

June 6, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: June 12, 2002 Finance Committee Meeting

Item 1 - File 02-0842

Note: This item was continued by the Finance Committee at its meeting of June 5, 2002 pending submission of additional information by the Department.

Department: Recreation and Park Department

Item: Ordinance waiving the competitive bid requirements for the Recreation and Park Commission's award of a contract not to exceed $2.5 million over a five year period for renovation of playgrounds, restoration of natural areas and implementation of erosion control measures in San Francisco parks, and exempting the contract from prevailing wage requirements.

Description: The proposed ordinance would waive the City's competitive bidding requirements to authorize the Recreation and Park Department (RPD) to award a contract, without the use of competitive bidding procedures, in an amount not to exceed $2.5 million, to the San Francisco Conservation Corps (SFCC), a nonprofit organization, for 1) renovation of park playgrounds, 2) restoration of designated Significant Natural Resource Areas, and 3) implementation of erosion control measures in the parks throughout the City. The proposed ordinance would also exempt the subject RPD contract with SFCC from prevailing wage requirements, pursuant to Section A 7.204 of the City's Charter.

Attachment I, provided by Mr. Marvin Yee of the RPD, contains a) program descriptions for the work to be done under the contract, b) various RPD facilities where the work is to be done, c) the allocation of funds by work category for the $2.5 million contract, d) hourly rates for services to be provided, and e) funding sources for the contract.

According to Mr. Yee, Significant Natural Resource Areas are defined as RPD properties that meet specific criteria including properties which contain natural biotic or geomorphic remnants of the indigenous landscape, contain rare types of species or habitat, and are vulnerable to degradation from an imminent ecological crisis. Mr. Yee reports that there are approximately 26 such designated areas in the City, all of which may benefit from the proposed restoration work under the contract. According to Mr. Yee, at least eight playgrounds would be renovated under the contract, to comply with safety standards and wheelchair accessibility requirements. Mr. Yee also states that erosion control methods, at a minimum of five park locations, would be implemented under the contract to prevent park deterioration and to protect park built facilities and landscapes.

The proposed ordinance would also exempt the subject RPD contract with SFCC from prevailing wage requirements.

The SFCC is eligible to be exempt from prevailing wage requirements in its contract with the RPD because SFCC meets the conditions for exemption set forth in Section A 7.204(b) of the City Charter. Section A 7.204(b) provides that the Board of Supervisors may exempt from the prevailing wage requirement any contract where the work is to be performed by a nonprofit organization that provides job training and work experience for disadvantaged individuals in need of such training and experience, and the nonprofit organization either (1) has a board of directors appointed by the Mayor or (2) exists primarily to design and build urban gardens, yards, and play areas. SFCC is a nonprofit organization that provides job training and work experience for disadvantaged individuals. According to Mr. Yee, the

SFCC has a 16-member board of directors appointed by the Mayor and exists primarily to design and build urban gardens, yards, and play areas.

Comments:

1. According to Mr. Yee, the proposed ordinance incorrectly states that the term of the contract would be four and one-half years. The correct contract term would be five years.

2. The subject contract had a May 1, 2001 beginning date and a termination date of April 30, 2006. According to Mr. Yee, the DPR is requesting approval of this proposed ordinance at this time, over one year after the contract starting date, because of extended labor union discussions. Mr. Yee reports that to date, no funds have been expended nor have any services been rendered by the SFCC in relation to the contract. According to Ms. Mary King-Gorwky of RPD, the term of this five-year contract is now expected to begin on June 15, 2002 and terminate on June 14, 2007.

3. Attachment II is a memorandum provided by Mr. Yee, which states the reasons as to why the RPD is requesting to award a $2.5 million contract without utilizing the City's competitive bidding procedures.

4. According to Mr. Yee, the source of funds for the $2,500,000 contract over its five-year term will include approximately $1,000,000 in anticipated CDBG grant funds, $125,000 in anticipated other grant funds, and $1,375,000 in anticipated Open Space Program funds and General Fund monies. According to Mr. Yee, of the $1,375,000 in Open Space and General Fund monies, $200,000 has been included in the RPD FY 2002-2003 budget, and the remaining $1,175,000 will be requested by the RPD in future RPD budgets.

Recommendations:

1. In accordance with Comment No. 1, amend the proposed ordinance to reflect the correct contract term of five years, not four and one-half years, as is presently contained in the ordinance.

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Memo to Finance Committee
May 29, 2002 Finance Committee Meeting

Attachment A

Project: Renovation of children's play areas

Sites may include, but not limited to.:

24th St./York Mini Park
Buchanan St. Mall (Between Turk and Golden Gate Sts.)
Crocker Amazon Playground (Geneva/Moscow Sts.)
Hayes Valley Playground (Hayes/Buchanan Sts.)
Keiloch-Velasco Playground
Kimball Playground (Ellis/Pierce Sts.)
Little Hollywood Park (Tocoloma/Lathrop Sts.)
Silver Terrace Playground (Waterville St.)

Scope of Work:

Provide materials and labor for, but not limited to:

Site demolition
Installation of play equipment
Installation of resilient surfacing, including rubber matting and playground sand
Concrete work
Decomposed granite paving
Disability access improvements
Landscaping

Scope of work shall not include carpentry, electrical, plumbing, or ironwork, unless approved by the SFRPD Assistant Superintendent of Parks, Structural Maintenance.

Personnel Rates:

Corpsmember Rate: $24.50/hour
Supervisor Rate: $24.50/hour

Estimated Budget: $2,000,000 for the 5-year contract

Anticipated Sources of Funds:

$1,000,000	Grants
$1,000,000	Open Space Program and General Fund
$2,000,000	TOTAL

Memo to Finance Committee
May 29, 2002 Finance Committee Meeting

Project: Restoration of natural areas

Examples of significant natural resource areas:

Bayview Hill	Hawk Hill
Brooks Property	Lake Merced
Buena Vista Park	Mount Davidson
Edgehill Open Space	Sharp Park
Golden Gate Park	Twin Peaks

Scope of Work:

The scope of work will consist of, but not limited to, the following:

Broom – Seedlings removed in spring by hand pulling; adult removed using weed wrenches or hand chain saws when individuals are too large for weed wrenches.

Fennel – Hand removal of adults and seedling with mattocks.

Cotoneaster – Cut shrubs with chain saw loppers.

Eucalyptus – Saplings of 6" and less removed with chain saws.

Pampas grass – Hand removal with shovels and mattocks.

Plant and debris removal activities will be combined with other restoration activities such as seed collection, plant propagation, nursery maintenance and planting.

Personnel Rates:

SFCC Rate: $23/hour

Estimated Budget: $250,000 for the 5-year contract

Anticipated Sources of Funds:

$125,000	Grants
$125,000	Open Space Program
$250,000	TOTAL

Memo to Finance Committee
May 29, 2002 Finance Committee Meeting

Project: Erosion control

Sites, but not limited to:

Buena Vista Park
Golden Gate Park
McLaren Park
Pine Lake Park
Pioneer Park

Scope of Work:

Provide materials and labor for, but not limited to, proven and acceptable methods of erosion control, including trail improvements, minor grading, retaining walls up to 3' high, and biotechnical slope stabilization techniques (brush layering, branch packing, wattling, plastic or jute netting, and re-vegetation).

Scope of work shall not include canopy thinning, retaining walls greater than 3' high, or irrigation systems, unless approved by the SFRPD Assistant Superintendent of Parks (Structural Maintenance) or the SFRPD Urban Forester.

Personnel Rates:

Corpsmember Rate: $23.00/hour
Field Supervisor Rate: $23.00/hour

Estimated Budget: $250,000 for the 5-year contract

Anticipated Sources of Funds: Open Space Program and General Fund

Memo to Finance Committee
May 29, 2002 Finance Committee Meeting

Attachment B

The Recreation and Park Department (RPD) wishes to award the subject contract for an amount not to exceed $2.5 million over a period of five years, without competitive bid, even though the expenditure involved in each contract exceeds $50,000, because:

(1) the development of disadvantaged individuals will best serve the public interest by having a significant positive impact on the economic health of the City, and
(2) the SFCC has been awarded $200,000 Community Development Block Grant (CDBG) amounts for 24th St./York Mini Park and Crocker Amazon Playground. The RPD wishes to supplement those grant amounts to completely fund these renovation projects.

Item 49 – File 02-0778

Department: Department of Administrative Services, Office of Contract Administration, Purchasing Division

Item: Resolution designating the San Francisco Independent to be the City's official newspaper for Type 2 non-consecutive day official advertising, for Fiscal Year 2002-2003.

Description: Proposition J, which was approved by the San Francisco electorate in November of 1994, in part, changed the criteria by which the City selects a newspaper to publish the City's official advertising. The Purchasing Division advises that, under Proposition J, pursuant to Section 2.81 of the Administrative Code, several criteria are considered and used to evaluate bids, on the basis of a point system. Bidders are required to submit typeset samples and other documentation for evaluation purposes. The criteria used for evaluation of bids under Section 2.81 includes (1) the cost of advertising in each newspaper (the newspaper which bids the lowest price for advertising receives additional points), (2) the level of circulation of each newspaper (the newspaper with the largest circulation receives additional points), (3) the cost of the newspaper (any newspaper with a majority of circulation that is free of charge to the general public receives additional points), and (4) the ownership of the newspaper (newspapers which are owned by local, minority or women-owned firms receive additional points).

The City's official advertising is divided into two categories:

Type 1 – Advertisements for Two or More Consecutive Days: Official advertising which must be published on two or more consecutive days, and all official advertising which is required to be published in accordance with 2.103 or 2.108 of the Charter for special meetings of the Board of Supervisors and its standing or special committees. The official newspaper must publish at least 5 consecutive days a week for Type 1 official advertising.

Type 2 – Advertisements for Single or Non-consecutive Days: Official advertising, which must be published one time (other than one-time advertising related to special meetings for the Board of Supervisors and its standing and/or special committees) or more than one time but not more than three times per week for a specified number of weeks. The official newspaper must be printed in the City at least 3 days a week for Type 2 official advertising. Such days do not need to be consecutive days.

The proposed resolution designates the San Francisco Independent as the official newspaper for Type 2 official advertising for FY 2002-2003. The City currently contracts with the San Francisco Independent for Type 2 official advertising. That contract expires on June 30, 2002.

Comments:

1. According to Mr. Mike Ward of the Purchasing Division, in response to its Invitation for Bids for FY 2002-2003, the San Francisco Independent submitted the sole bid for Type 2 advertising. Attachment I, provided by the Purchasing Division, contains bid data for the San Francisco Independent.

2. For FY 2002-2003, Mr. Ward states that the costs for Type 2 official advertising in the San Francisco Independent would total an estimated $378,408, which is the same as the projected actual costs for FY 2001-2002 of $378,408. As shown in Attachment I, the cost per line of typeset to be charged by the San Francisco Independent in FY 2002-2003 would be $3.98, which is the same per line typeset rate charged by the San Francisco Independent in FY 2001-2002.

3. According to the Mr. Ward, the San Francisco Independent fully complies with all City contracting requirements and qualifies to be the official newspaper for Type 2 official advertising through the bidding process.

4. According to Mr. Ted Lakey of the City Attorney's Office has advised that the Board of Supervisors need not accept the Purchasing Division's recommendations to award contracts to newspapers for official advertising and

may designate any newspaper which is qualified under the Charter and the Administrative Code.

5. Mr. Ward advises that the San Francisco Examiner was the only newspaper that submitted a bid for Type 1 official advertising for FY 2002-2003. However, Mr. Ward advises that the Examiner's bid was not responsive because (a) the newspaper is not printed in the City as required by Section 2.80-1 (a) of the Administrative Code; and (b) the newspaper is not in compliance with the requirements of Chapter 12B of the Administrative Code pertaining to equal benefits for domestic partners. Attachment II, provided by Mr. Ward, explains two options for the Board of Supervisors to consider in designating the City's Type 1 official advertising newspaper for FY 2002-2003. Such designation of the City's Type 1 official advertising newspaper will be the subject of future legislation to be submitted by the Purchasing Division to the Board of Supervisors.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Type 2 Official Advertising – for Non-consecutive Day Publication
Bid Prices and Estimated Costs
FY 2001-2002 and 2002-2003

	SF Independent Bid 2001-2002	SF Independent Bid 2002-2003
Cost Per Line	3.98	3.98
Estimated Annual Cost *	378,408	378,408

* Annual cost estimated using actual payments to calculate monthly average cost and extending to 12 months

City and County of San Francisco

Willie Lewis Brown, Jr.
Mayor

Office of Contract Administration

Judith A. Blackwel
Directo

Purchasing Divisio

May 22, 2002

TO. Maureen Singleton
Budget Analyst

FROM: Michael D. Ward.
Assistant Director of Purchasing

RE: Advertising Contracts FY2002-2003

In response to your request, this memorandum further clarifies matters relating to Type 1 official advertising.

In our letter to Gloria L. Young, dated May 14, 2002, we made no recommendation to the Board for Type 1 official advertising because no responsive bids were received in response to the City's invitation to bid. Adding that the San Francisco Examiner submitted the only bid received for this category of advertising. Further, we stated that the Chronicle, the current vendor for Type 1 advertising, did not bid for the FY2002-2003 contract. The Chronicle advised this office that they are willing to extend their FY2001-2002 contract. These are the options that we presented to the Board relating to Type 1 advertising.

We would like to clarify that we are requesting the Board's directive regarding designation of a newspape for Type 1 official advertising. Then, upon receiving instructions from the Board about this matter, the Purchaser will submit separate legislation to designate a newspaper as the City's official newspaper for Type 1 advertising.

If you have questions or need further clarification, e-mail or call me at 554-6740.

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Home Page: www.ci.sf.ca.us/purchase/ Recycled paper E-mail: Purchasing@ci.sf.ca.us

Type 1 Official Advertising – for Consecutive Day Publication
Comparison – Examiner and Chronicle Offers
Price and Annual Estimated Cost
Fiscal Year 2002-2003

	Examiner's Bid 2002-2003	Extension of Chronicle's 2001-2002 Contract
Cost Per Line	5.75	8.85
Estimated Annual Cost	32,051	49,330

* Annual cost estimated by first using actual payments to calculate monthly average cost and extending to 12 months. Then, calculating the total number of lines by dividing the annual cost by the cost per line in FY2001-2002 contract. The number of lines is then multiplied by the cost per line offered by the Examiner And Chronicle in FY 2002-2003.

Item 50 – File 02-0779

Department: Department of Administrative Services, Office of Contract Administration, Purchasing Division

Item: Resolution designating Asian Week to be the City's outreach advertising newspaper for the Chinese community and El Reportero to be the City's advertising outreach newspaper for the Hispanic community, for Fiscal Year 2002-2003.

Description: Proposition J, which was approved by San Francisco voters in November of 1994, provided, in part, for an Outreach Advertising Fund to be established for the purpose of the City placing "outreach advertising" or weekly notices of items pertaining to governmental operations in periodicals selected to reflect the diversity in race and sexual orientation of the population of the City. Outreach advertisements include, but are not limited to, information about issues that are being reviewed by the Board of Supervisors and that directly affect the public. Pursuant to Proposition J and in accordance with Section 2.81-2(a) of the Administrative Code, the City is required to withhold 10 percent of the annual amounts paid for the City's Type 1 and Type 2 official advertising and to deposit these monies into the Outreach Advertising Fund.

The City's official advertising is divided into two categories:

Type 1 – Advertisements for Two or More Consecutive Days: Official advertising which must be published on two or more consecutive days, and all official advertising which is required to be published in accordance with 2.103 or 2.108 of the Charter for special meetings of the Board of Supervisors and its standing or special committees. The official newspaper must publish at least 5 consecutive days a week for Type 1 official advertising.

Type 2 – Advertisements for Single or Non-consecutive Days: Official advertising, which must be published one time (other than one-time advertising related to special meetings for the Board of Supervisors and its standing and/or special committees) or more than one time but not more than three times per week for a specified number of

weeks. The official newspaper must publish at least 3 days in a calendar week for Type 2 official advertising. Such days do not need to be consecutive days.

The Purchasing Division estimates that the FY 2002-2003 cost for Type 1 official advertising (estimated at $32,051 based on FY 2001-2002 costs) and Type 2 official advertising (estimated at $378,408 based on FY 2001-2002 costs) would total $410,459 Therefore, the estimated amount available for the Outreach Advertising Fund in FY 2002-2003, based on 10 percent of Type 1 and Type 2 official advertising, is $41,046. Ms. Pamela Levin of the Controller's Office advises that there is a balance of approximately $50,827 in the Outreach Advertising Fund as of May 21, 2002. According to Ms. Levin, any remaining balance in the Outreach Advertising Fund at the end of FY 2001-2002 will carryover to FY 2002-2003. Mr. Mike Ward of the Purchasing Division estimates that approximately $83,000 would be available for outreach advertising in FY 2002-2003.

Comments:

1. Since the passage of Proposition J, approved by the voters in November of 1994, bid prices are only one of several factors evaluated and considered in designating which newspapers should be the City's outreach advertising newspapers. Proposition J requires the Purchasing Division to recommend to the Board of Supervisors the newspapers with the highest total point scores. According to Mr. Ward, the Asian Week received the highest score of the three bids from newspapers seeking to provide outreach advertising to the Chinese community. Mr. Ward advises that El Reportero received the highest score of the three responsive bids from newspapers seeking to provide outreach advertising to the Hispanic/Latino community. Attachment I, provided by the Purchasing Division, contains bid data and point calculation information showing that Asian Week and El Reportero received the highest scores to represent the Chinese and Hispanic communities respectively.

2. According to the Mr. Ward, both the Asian Week and El Reportero fully comply with all City contracting requirements and qualify to be designated the City's outreach advertising newspapers.

3. According to Mr. Ted Lakey of the City Attorney's Office, the Board of Supervisors is authorized to and has previously designated newspapers to provide outreach advertising even though such newspapers do not comply with all contracting requirements under the City's Charter and the Administrative Code.

4. The following nine newspapers were designated as the City's outreach advertising newspapers for FY 2001-2002: El Mensajero, El Reportero and El Latino for the Hispanic/Latino community; the Chinese Times, the China Press and Asian Week for the Chinese community; the San Francisco Bay View for the African American community; the Hokubei Mainichi for the Japanese community; and the San Francisco Bay Times for the Lesbian/Gay/Bisexual/Transgender community.

5. As noted in Attachment I, the Purchasing Division has not recommended designating newspapers for outreach advertising in the African-American and the Lesbian/Gay/Bi-sexual/Transgender communities because the Purchasing Division considered the submitted bids to be non-responsive. Attachment II, provided by the Purchasing Division, states that the Purchasing Division has not recommended the designation of newspapers for outreach advertising in the Japanese, Southeast Asian and Russian communities because these communities are not mandated to be provided with outreach advertising by Section 2.80-1(b) of the Administrative Code. Also, the bids were not responsive for the Southeast Asian and Russian communities.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Outreach Advertising Contracts FY2002-2003
Report to Board of Supervisors - Bidding Results
and
Purchaser's Recommendation

Exhibit C

Administrative Code, Sec. 2.81-3 directs the Purchaser to (1) invite proposals for the purpose of selecting one outreach periodical from each community; (2) evaluate proposals; (3) report to the Board of Supervisors; and (4) make its recommendation to the Board of Supervisors.

PURCHASER'S RECOMMENDATION TO BOARD OF SUPERVISORS

	Hispanic	Chinese	African-American	Gay/Lesbian/Bi-sex/Transgender	Total Budget 2002-2003
	El Reportero	Asian Week	No recommendation	No recommendation	
Budget 2002-2003	16,120	8,840			24,960

The Purchaser's criteria is to recommend only the responsive bidders with the highest point totals for the four communities mandated by Section 2.80-1(b) of the Administrative Code. Purchaser has no recommendation for the African-American and Lesbian/Gay/Bi-sexual/Transgender communities because no responsive bids were received from newspapers in those communities.

PROPOSALS RECEIVED

Outreach communities mandated by Administrative Code, Sec. 2.80-1(b)

	HISPANIC			CHINESE			AFRICAN-AMERICAN		LESBIAN/GAY BI-SEX/TRANSGENDER
	El Reportero	El Latino	El Mensajero	Asian Week	China Press	Chinese Times	SF Bay View	Small Business Exchange	Bay Area Reporter
PROPOSAL EVALUATION Point Totals	38.39	34.32	33.65	27.45	21.7	16.1	37.4		30.0
BUDGET 2002-2003	16,120	26,000	17,784	8,840	7,280	10,400	9,360	7,800	13,568
Price per Ad	310	500	342	170	140	200	180	150	259
BID STATUS	Responsive	Responsive	Responsive	Responsive	Responsive	Not Responsive Incomplete Bid Did not provide: Ad sample and copy of paper	Not Responsive Late Bid Not printed in SF	Not Responsive Incomplete Bid: Cannot evaluate Publishes bid leads for business use only No general circulation in outreach community	Not Responsive Not printed in SF Incomplete Bid: No documentation to verify circulation

Exhibit C

Outreach Advertising Contracts FY2002-2003
Report to Board of Supervisors - Bidding Results and Purchaser's Recommendation

PROPOSALS RECEIVED

Outreach communities not mandated by Section 2.80-1(b) of the Administrative Code

	JAPANESE	SOUTHEAST ASIAN	RUSSIAN
	Hokubei Mainichi	Mo Magazine	Vzglyad
PROPOSAL EVALUATION			
Point Totals	35	35	35
BUDGET 2002-2003	27,820	10,140	9,620
Price Per Ad	535	195	185
BID STATUS	Responsive	Not Responsive Not 12B compliant	Not Responsive Not 12B compliant

City and County of San Francisco

Willie Lewis Brown, Jr.
Mayor

Office of Contract Administration

Judith A. Blackwell
Director

Purchasing Division

May 22, 2002

TO. Maureen Singleton
Budget Analyst

FROM: Michael D. Ward.
Assistant Director of Purchasing

RE: Advertising Contracts FY2002-2003

As stated in our letter of May 14, 2002, we are not making a recommendation to the Board for outreach advertising for the African-American and Lesbian/Gay/Bi-sexual/Transgender communities because no responsive were received from newspapers circulating in those communities. See Exhibit C appended to our letter of May 14, 2002.

In addition, we are not making a recommendation to the Board for the Japanese, Southeast Asian and Russian communities because these communities are not mandated by Section 2.80-1(b) of the Administrative Code.

We respectfully request the Board's directive regarding designation of outreach newspapers for these communities.

If you have questions or need more information, email or call me at 554-6740, or Luis Espinoza at 554-6736.

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City Hall
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San Francisco, CA
94102-4689

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Friday, June 21, 2002 | **11:30 AM** | **City Hall, Room 263**

Special Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

Supervisor Ammiano appointed himself to serve as a member of the Finance Committee.

MEETING CONVENED

The meeting convened at 11:41 a.m.

020779 **[Outreach Advertising]**

Resolution designating the Asian Week to be outreach newspaper of the City and County of San Francisco for the Chinese community; El Reportero to be outreach newspaper of the City and County of San Francisco for the Hispanic community; the Bay Area Reporter to be outreach newspaper of the City and County of San Francisco for the Gay/Lesbian/Bisexual/Transgender community; and the San Francisco Bay View to be outreach newspaper of the City and County of San Francisco for the African American community, for outreach advertising for the fiscal year commencing July 1, 2002 and ending June 30, 2003. (Purchaser)

5/15/02, RECEIVED AND ASSIGNED to Finance Committee.

6/12/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Michael Ward, Assistant Director of Purchasing, Purchasing Division, Office of Contract Administration; Willie Ratcliff, Publisher, San Francisco Bayview; Luis Espinosa, Senior Purchaser, Purchasing Division, Office of Contract Administration; Michael Lam, Chairman of the Board, Chinese Times; Commissioner Richard Ow; Thomas Sie, President, Chinese Times; Jason Ho, General Manager, Chinese Times; Serena Scales, El Mensajero; Carmen Ruiz, El Latino; Diane Perez, Board of Supervisors; Theodore Lakey, Deputy City Attorney. Amendment of the Whole prepared in Committee.

6/12/02, CONTINUED TO CALL OF THE CHAIR.

Heard in Committee. Speakers: Michael Ward, Assistant Director of Purchasing, Purchasing Division, Office of Contract Administration.
Amendment of the Whole prepared in Committee.
To Board as a Committee Report, Monday, June 24, 2002.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution designating Asian Week, the China Press and the Chinese Times to be outreach newspapers of the City and County of San Francisco for the Chinese community; El Reportero, El Latino and El Mensajero to be outreach newspapers of the City and County of San Francisco for the Hispanic community; the Bay Area Reporter to be outreach newspaper of the City and County of San Francisco for the Lesbian/Gay/Bisexual/Transgender community; and the San Francisco Bay View to be outreach newspaper of the City and County of San Francisco for the African American community, for outreach advertising for the fiscal year commencing July 1, 2002 and ending June 30, 2003. (Purchaser)

RECOMMENDED AS AMENDED AS A COMMITTEE REPORT by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020778 **[Official Advertising]**

Resolution designating the San Francisco Independent to be the official newspaper of the City and County of San Francisco for the category of non-consecutive day official advertising, for the fiscal year commencing July 1, 2002 and ending June 30, 2003. (Purchaser)

5/15/02, RECEIVED AND ASSIGNED to Finance Committee.

6/12/02, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Michael Ward, Assistant Director of Purchasing, Purchasing Division, Office of Contract Administration; Marc Chamot; Eddie Rosario, Vice President, Director of Organizing, Graphic Communications International Union, Local 4N; Grant Corley; Timm Sinclair; Charles Minster; Walter Johnson, San Francisco Labor Council; Denis Mosgofian; Howard Wallace; Theodore Lakey, Deputy City Attorney.

Heard in Committee. Speakers: Michael Ward, Assistant Director of Purchasing, Purchasing Division, Office of Contract Administration; John Kennedy, Deputy City Attorney; Wayne Wedgeworth, San Francisco Independent and San Francisco Examiner; Julie Soo; Gail Lamud; Shelley Bradford-Bell, Bayview Opera House; Eddie Rosario, Vice President, Director of Organizing, Graphic Communications International Union, Local 4N; Marc Chamont; Walter Johnson, San Francisco Labor Council; Dorothy Peterson; Linda Richardson; Amos Brown, Baptist Ministers Conference of San Francisco and Third Baptist Church; Andrew Lee; John Barry, President, Sunset Heights Association of Responsible People; Bob Pellegrine; Win Hing; Sing Lift; Gwen Lee; Helynna Brooke; Stephanie; Julie Lee; Edward Harrington, Controller.
To Board as a Committee Report, Monday, June 24, 2002.
Amendment of the Whole prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution designating the San Francisco Independent to be the official newspaper of the City and County of San Francisco for the category of non-consecutive day official advertising, for the fiscal year commencing July 1, 2002 and ending December 31, 2002. (Purchaser)

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

021068 **[Rescinding appropriation authority for Airport capital projects, and appropriate funding for capital projects]**

Supervisors Peskin, Daly

Ordinance rescinding $1,087,448,058 of unencumbered appropriation authority for airport capital projects and appropriating $326,341,870 in fund equity and $220,316,885 from future bond funds for a total of $546,658,755 for capital projects at the Airport Commission for fiscal year 2001-02.

(Fiscal impact.)

6/10/02, RECEIVED AND ASSIGNED to Budget Committee. Sponsor requests this item be scheduled at the June 20, 2002 meeting with the presentation of the Airport's Budget.

6/17/02, TRANSFERRED to Finance Committee.

Heard in Committee. Edward Harrington, Controller; John Martin, Airport Director; Vanessa d'Ambrosio; Sal Torres, Council member, City of Daly City; Anthony Manning; Richard Berry; Norman Rolfe, San Francisco Tomorrow; Derek Blackwell, Clean Water Action; Pete Zachos, Machinists Union, Local 1781; Jane Selsnow, Sierra Club; Stan Warren, San Francisco Building Trades Council; Tim Paulson, San Mateo County Central Labor Council; Walter Johnson, San Francisco Labor Council; Sean Randolph, President, Bay Area Economic Forum; Peter Thorner; Douglas Perry, Organized Labor Newspaper; Nancy Wuerfel; Nicole Parisi-Smith, Waterkeepers Northern California and San Francisco Bay Keeper; Ellen Blair, Save the Bay; Richard Zimmerman, Sierra Club; Alan Wayne, Director of Public Affairs, United Airlines; Dan Arola; Robert Miller, San Francisco Crab Boat Owners Association; John Mattox, California Resources Agency and California Department of Fish and Game; Female Speaker; Ernestine Weiss; Larry Mazzola, Vice President, Airport Commission; Michael Bornstein, Staff Director, Sierra Club, San Francisco Bay Chapter; Craig Denisoff, Vice President, Wildlands, Inc.; Korbey Hunt, Chairman, SFO Airlines Affairs Committee; Lee Glitch, President, San Francisco Chamber of Commerce; John Bardis; David Lewis, Executive Director, Save the Bay; Dan Ashby, United Airlines Pilots Association; Eileena Bokin.

To Board as a Committee Report, Monday, June 24, 2002.

RECOMMENDED AS COMMITTEE REPORT by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

ADJOURNMENT

The meeting adjourned at 3:14 p.m.

25

/02

City and County of San Francisco

Meeting Agenda

Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Wednesday, July 10, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. **021170** **[Veterans Building Special Election]**

Supervisor Sandoval

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, November 5, 2002, for the purpose of submitting to the voters of the City and County of San Francisco a proposition to incur the following bonded debt of the City and County: One Hundred Twenty-Two Million Seven Hundred Fifty-Five Thousand Dollars ($122,755,000) for the acquisition, rehabilitation, renovation, improvement, construction and/or reconstruction by the City and County of the San Francisco War Memorial Veterans Building, and all other works, property and structures necessary or convenient for the foregoing purposes; providing for the use of available annual revenues on deposit in the War Memorial Special Fund to reduce the property tax impact; finding that the estimated cost of such proposed project is and will be too great to be paid out of the ordinary annual income and revenue of the City and County and will require expenditures greater than the amount allowed therefor by the annual tax levy; reciting the estimated cost of such proposed project; fixing the date of election and the manner of holding such election and the procedure for voting for or against the proposition; fixing the maximum rate of interest on such bonds and providing for the levy and collection of taxes to pay both principal and interest thereof; prescribing notice to be given of such election; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53; consolidating the special election with the general election; establishing the election precincts, voting places and officers for the election; waiving the word limitation on ballot propositions imposed by San Francisco Municipal Elections Code Section 510; complying with Section 53410 of the California Government Code; and incorporating the provisions of Article V of Chapter V of the San Francisco Administrative Code.

7/1/02, RECEIVED AND ASSIGNED to Finance Committee.

2. **021171** **[War Memorial Special Fund]**

Supervisor Sandoval

Ordinance amending Article XIII of Chapter X of the San Francisco Administrative Code regarding the War Memorial Special Fund (the "Fund") by amending Section 10.100-361 to correct outdated Administrative Code section references and clarify the uses of moneys in the Fund.

7/1/02, RECEIVED AND ASSIGNED to Finance Committee.

3. 021172 [Pedestrian Safety and Livable Streets Special Election]

Supervisor Ammiano

Ordinance calling and providing for a special election to be held in the City and County of San Francisco (the "City") on Tuesday, November 5, 2002, for the purpose of submitting to the voters of the City and County of San Francisco a proposition to incur the following bonded debt of the City and County: One Hundred Fifty Million Dollars ($150,000,000) to finance street resurfacing, curb ramp construction, sidewalk improvement and street structure improvement projects, street signal and fire alarm call box improvement projects, street improvements for bicycle use and all other structures and improvements necessary or convenient for the foregoing purposes; finding that the estimated costs of such proposed projects are and will be too great to be paid out of the ordinary annual income and revenue of the City and County and will require expenditures greater than the amount allowed therefor by the annual tax levy; reciting the estimated cost of such proposed project; fixing the date of election and the manner of holding such election and the procedure for voting for or against the proposition; fixing the maximum rate of interest on such bonds and providing for the levy and collection of taxes to pay both principal and interest thereof; prescribing notice to be given of such election; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53; consolidating the special election with the general election; establishing the election precincts, voting places and officers for the election; waiving the word limitation on ballot propositions imposed by San Francisco Municipal Elections Code Section 510; complying with Section 53410 of the California Government Code; and incorporating the provisions of Article V of Chapter V of the San Francisco Administrative Code.

7/1/02, RECEIVED AND ASSIGNED to Finance Committee.

4. 021169 [Affordable Housing Bonds Special Election]

Mayor, Supervisor Ammiano

Ordinance calling and providing for a special election to be held in the City and County of San Francisco (the "City") on November 5, 2002, for the purpose of submitting to the qualified voters of the City a proposition for the issuance of bonds by the City (or one of its agencies, departments or enterprises) in the principal amount of Two Hundred Fifty Million Dollars ($250,000,000) to finance the acquisition, construction and/or rehabilitation of housing affordable to low- and moderate-income households and downpayment assistance to low- and moderate-income first-time homebuyers; finding that the estimated cost of the project is and will be too great to be paid out of the ordinary annual income and revenue of the City and will require expenditures greater than the amount allowed therefor by the annual tax levy; reciting the estimated cost of such proposed project; fixing the date of and the manner of holding the special election and the procedure for voting for or against the proposition; fixing the maximum rate of interest on the bonds and providing for the levy and collection of taxes to pay both principal and interest therefor; prescribing notice to be given of the special election; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Administrative Code Section 2A.53; consolidating the special election with the general election; establishing the election precincts, voting places and officers for the special election; waiving the word limitation on ballot propositions imposed by San Francisco Municipal Elections Code Section 510; complying with Section 53410 of the California Government Code; and incorporating the provisions of Article V of Chapter V of the San Francisco Administrative Code. (Mayor)

7/1/02, RECEIVED AND ASSIGNED to Finance Committee.

5. 020910 [Revenue Bond Election]

Resolution calling and providing for a special election to be held in the City and County of San Francisco for the purpose of submitting to the qualified voters of said City and County on November 5, 2002 a proposition for the issuance of revenue bonds and/or other forms of revenue financing by the Public Utilities Commission in a principal amount not to exceed $3,628,000,000 to finance the acquisition and construction of improvements to the City's water system; and consolidating said special election with the General Municipal Election to be held on November 5, 2002; complying with Section 53410 of the California Government Code; finding the proposed project is in conformity with the priority of Planning Code Section 101.1(b) and the City's General Plan. (Public Utilities Commission)

(Fiscal impact.)

6/5/02, RECEIVED AND ASSIGNED to Finance Committee.
6/27/02, SUBSTITUTED. Substituted by the City Attorney 6/28/02, bearing new title.
6/27/02, ASSIGNED to Finance Committee.

6. 021070 [MOU, Amendment No. 1, Teamsters Local 853]

Mayor

Ordinance adopting and implementing Amendment No. 1 to the 2001-2003 Memorandum of Understanding between the Teamsters, Local No. 853 and the City and County of San Francisco by adding a new section to Article III.F. Additional Compensation which provides for the pass-through of State of California funds to certain represented classes working at Skilled Nursing Facilities. (Mayor)

6/10/02, RECEIVED AND ASSIGNED to Finance Committee.

7. 020726 [Increasing Fee Charged to Participants in First Offender Prostitution Program]

Mayor

Resolution approving increase in authorized fee for the First Offender Prostitution Program to $1,000. (Mayor)

5/6/02, RECEIVED AND ASSIGNED to Finance Committee.
5/31/02, FILED PURSUANT TO RULE 5.37. Withdrawn by Mayor's Office.
6/26/02, REACTIVATED PURSUANT TO RULE 5.25 to Finance Committee. June 26, 2002 - Reactivated pursuant to request of sponsor and approval of President.
7/1/02, ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the July 10, 2002 meeting.
7/1/02, SUBSTITUTED. Submitted by the Mayor bearing same title.

8. 021130 [Approval of Lease with the U.S. Customs Service in West Field Cargo Building 1]

Resolution approving and authorizing the execution of a Lease with the U.S. Customs Service for space in West Field Cargo Building 1. (Airport Commission)

6/19/02, RECEIVED AND ASSIGNED to Finance Committee.

9. 020811 [Contracting Out Own Recognizance, Pretrial Diversion, and Misdemeanant Services]
Supervisor Hall

Resolution approving the Controller's certification that own recognizance release, pretrial court diversion, and supervised misdemeanant services provided to arrested persons in the City and County of San Francisco can be practically performed by private contractors at a lower cost for the year commencing July 1, 2002 than if work were performed by City and County employees. (Sheriff)

5/28/02, RECEIVED AND ASSIGNED to Finance Committee.

10. 020991 [Contracting out Crime Prevention Services]

Resolution concurring with the Controller's Certification that Crime Prevention Services can be practically performed by private contractor for lower cost than similar work services performed by City and County Employees. (Police Department)

6/12/02, RECEIVED AND ASSIGNED to Finance Committee.

11. 021136 [Contracting out Convention Facilities management, operation and maintenance services]

Resolution concurring with the Controller's certification that Convention Facilities management, operation and maintenance services can be practically performed at Bill Graham Civic Auditorium and the Moscone Center by private contractor for a lower cost than similar work services performed by City and County employees. (Administrative Services Department)

6/21/02, RECEIVED AND ASSIGNED to Finance Committee.

12. 021127 [Setting Fees for City Day Camps]

Ordinance amending the San Francisco Park Code by adding Section 12.15, setting fees for participating in day camps run by the Recreation and Park Department. (Mayor)

6/19/02, RECEIVED AND ASSIGNED to Budget Committee.
6/26/02, TRANSFERRED to Finance Committee. June 26, 2002 - Transferred at the direction of the President.
(6/26/02 - Referred to Youth Commission for comment and recommendation.)

13. 020987 [Agreement to Quitclaim Twenty-Three (23) Noise Easements]

Resolution authorizing the rescission by the City and County of San Francisco of twenty-three (23) Grants of Easement previously acquired by City, for one property in the City of Pacifica and twenty-two (22) in the City of San Bruno. (Real Estate Department)

6/6/02, RECEIVED AND ASSIGNED to Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceeding begins, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to Committee Clerk, Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, California 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above.

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.42 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

020945 **[Submission of an Ordinance to the Voters authorizing Sewer Service Charge Rate Increases]**

Motion ordering the submission of an ordinance to the voters authorizing the Board of Supervisors to adopt and impose schedules of sewer service charges to be paid by users in accordance with the San Francisco Charter and Part II, Chapter X, Articles 4.1 and 4.2 of the San Francisco Municipal Code (Public Works Code) that will provide an aggregate 12% increase of sewer service revenues, at an election to be held on November 5, 2002. (Public Utilities Commission)

6/12/02, RECEIVED AND ASSIGNED to Rules and Audits Committee.

6/27/02, TRANSFERRED to Finance Committee.

7/1/02, SUBSTITUTED. Substituted by the City Attorney 7/1/02, bearing same title.

7/1/02, ASSIGNED to Finance Committee.

021097 [Business Tax]

Supervisor Peskin

Ordinance amending the Business and Tax Regulations Code to: (1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax on persons engaging in specified business activities in San Francisco; (2) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) reduce businesses' taxable payroll expense by the amount of payroll expense attributable to their San Francisco business activities taxed under Article 12-A-1 (Gross Receipts Tax Ordinance), (ii) conform Article 12-A (Payroll Expense Tax Ordinance) with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 6 (Common Administrative Provisions), (iii) repeal the Enterprise Zone Tax Credit set forth in Section 906A, (iv) repeal the $500 surplus business tax revenue credit set forth in Section 906E, and (v) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulation Code, and place them in Article 6 (Common Administrative Provisions); (3) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); (4) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12-A-1 (Gross Receipts Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review; (5) amend Section 501 of Article 7 to clarify the definition of "Permanent Residents" exempt from the tax on the transient occupancy of hotel rooms, and (6) amend Section 606 of Article 9 to repeal the exemptions to the tax and surcharge upon the rent charged for the occupancy of parking spaces in parking stations (i) which are part of residential or hotel premises and (ii) for registered hotel guests where the parking station is not located on the hotel premises.

6/17/02, ASSIGNED UNDER 30 DAY RULE to Rules and Audits Committee, expires on 7/17/2002.

6/19/02, TRANSFERRED to Finance Committee. (6/26/02 - Referred to Small Business Commission for comment and recommendation.)

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.ci.sf.ca.us/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are televised on channel 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 *必須在會議前最少四十八小時提出要求*
請電 (415) 554-7701

Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

The following services are available when requested by 4:00 p.m. of the Friday before the Board meeting:

For American Sign Language interpreters, use of a reader during a meeting, or sound enhancement system, contact Ohn Myint at (415) 554-7704.

For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.

The Clerk of the Board's Office TTY number for speech-hearing impaired is (415) 554-5227.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 409, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org
Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/bdsupvrs/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 3, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: July 10, 2002 Finance Committee Meeting

Item 5 – File 02-0910

Department: Public Utilities Commission (PUC)
Mayor's Office of Public Finance

Item: Resolution calling and providing for a special election to be held in the City and County of San Francisco for the purpose of submitting to the qualified voters of said City and County on November 5, 2002 a proposition for the issuance of revenue bonds and/or other forms of revenue financing by the Public Utilities Commission in a principal amount not to exceed $3,628,000,000 to finance the acquisition and construction of improvements to the City's water system; and consolidating said special election with the General Municipal Election to be held on November 5, 2002; finding the proposed project is in conformity with the priority of Planning Code Section 101.1(b) and the City's General Plan.

Amount: The maximum principal amount is not to exceed $3.628 billion.

Source of Funds: Revenue bonds and/or other forms of revenue financing. Other forms of revenue financing include notes, debentures, commercial paper, variable rate demand notes and bonds, auction rate securities, lease revenue bonds, installment sale agreements, and other forms of similar financial products which may be created from time to time.[1]

Description: The PUC has identified water system ($3.628 billion) and clean water system ($996 million) capital improvement costs totaling $4.624 billion, comprising:

- $2.913 billion for regional water system improvements[2]. Regional customers would pay 70 percent of the cost ($2.039 billion) and San Francisco ratepayers would pay 30 percent of the cost ($874 million).
- $715 million for local water system projects within San Francisco[3]. This would be entirely funded by San Francisco ratepayers.
- $996 million for Clean Water capital improvement projects within San Francisco[4]. This would be entirely funded by San Francisco ratepayers. As explained in Comment No. 15 below, separate bond issues would be required for these projects totaling $996 million.

With regard to capital improvements to the water system, the PUC has developed a long-term capital improvement

[1] According to Ms. Karol Ostberg of the PUC, the PUC will manage its debt portfolio to achieve an overall objective of minimizing costs and maintaining flexibility to respond to changing market conditions and a dynamic capital improvement program. The bulk of the debt is anticipated to be long-term fixed-rate revenue bonds which have the advantage of known financing costs over the useful life of the asset being financed. The PUC also anticipates using certain types of variable rate debt to take advantage of lower average interest rates. Use of such instruments would be particularly advantageous during construction of capital projects, by lowering the cost of capitalized interest. In addition, certain types of variable rate debt may be issued to permanently fund project costs. The added benefit of overall lower interest rates associated with variable rates is somewhat offset by the interest rate volatility associated with variable rate debt, so such debt would not exceed 25 percent of the entire bond issuance, according to Ms. Ostberg.

[2] The regional water system provides water to the City and the PUC's 29 wholesale customers, who disperse the water to 1.6 million clients in Alameda, San Mateo, and Santa Clara Counties.

[3] The local water system delivers water from the regional water system throughout the City and stores a portion of it locally in City reservoirs.

[4] The clean water system collects, treats, and disposes City sewage and storm water. The City also contracts with public sector agencies in San Mateo County to provide wastewater services.

program consisting of 77 projects[5] designed to replace or repair aging water system facilities since many of the system's components are at the end of their useful life. The capital improvement program is intended to address seismic concerns (particularly the lack of back-up facilities), future increases in the demand for water, and future regulatory requirements for the quality of drinking water. If this requested revenue bond authorization is approved by the voters in the November of 2002 election, the 13 year capital improvement program would start in 2003 and would be scheduled for completion by 2016. The PUC would review and update the plan annually during this 13 year program.

The proposed capital improvement program for the water system is estimated to cost $3.628 billion, which includes:

- $2.075 billion for the actual project construction costs (approximately 57.2 percent of the total $3.628 billion cost).
- $481 million in escalation costs assuming 3 percent annual inflation during the 13 year construction period (approximately 13.3 percent of the total $3.628 billion cost).
- $409 million in program contingency costs and management reserves (approximately 11.3 percent of the total $3.628 billion cost). According to Ms. Karol Ostberg of the PUC, this amount includes a 10 percent margin for program contingencies for the purpose of completing the program on budget and on schedule (10 percent of total construction and escalation costs is $256 million). The contingency will only be available for changes in scope and design that cannot be foreseen at the capital improvement program's outset. In addition, there is a 6 percent management reserve (6 percent of total construction and escalation costs is $153 million). Management reserves are required by large capital improvement programs in order to manage externally imposed conditions, critical emergencies, and other conditions that cannot be predicted in advance.

[5] There are 37 regional water system projects (including three reservoirs within City boundaries which are considered to be regional assets), and 40 local water system projects.

- $663 million for financing costs (approximately 18.3 percent of the total $3.628 billion cost). This amount comprises:

Financing Costs	Cost
Costs of issuance[6]	$36,277,000
Reserve fund deposit[7]	256,894,000
Bond insurance premium[8]	18,980,000
Capitalized interest fund[9]	350,836,000
Total:	**$662,987,000**

The breakdown of these costs between regional water projects and local water projects is shown in the following table:

	Construction	Construction Inflation	Contingency & Management Reserve	Financing Costs	Totals
Regional Water	$1,656,896,772	$395,210,072	$328,337,095	$532,327,562	$2,912,771,501
Local Water	417,854,113	85,834,364	80,590,156	130,659,502	714,938,135
TOTAL:	$2,074,750,885	$481,044,436	$408,927,251	$662,987,064	$3,627,709,636*

* Note: Rounds to $3.628 billion.

All expenditures of bond proceeds for capital improvement program purposes, and all capital budgets, are subject to appropriation approval by the Mayor and the Board of Supervisors.

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[6] Costs of issuance include (a) rating agency fees (an estimated $14,510,000 or approximately 40 percent of the total costs of issuance), (b) bond counsel fees (an estimated $12,697,000 or approximately 35 percent of the total costs of issuance), (c) financial advisory fees (an estimated $5,442,000 or approximately 15 percent of the total costs of issuance), and (d) printing and distribution of official statements, and other related fees (an estimated $3,628,000 or approximately 10 percent of the total costs of issuance).

[7] The debt service reserve fund is equal to maximum annual debt service.

[8] A bond insurance policy makes scheduled debt service payments if the issuer fails to do so. Bond insurance provides an issue an AAA rating and the resulting lower interest rates save more than the cost of the bond insurance premium. according to Ms. Ostberg.

[9] The capitalized interest fund is for bond proceeds which are reserved to pay interest on an issue for a period of time early in the term of the issue when capital improvement project construction is commencing.

The proposed resolution to authorize a $3.628 billion revenue bond issue would be the largest single voter authorization ever put before San Francisco voters.

Comments: <u>Capital Improvement Program Planning</u>

1. In February of 1998, the PUC published a draft long-term Water Enterprise capital improvement plan which identified projects cumulatively costing an estimated $3.5 billion and initiated development of a Program Management Consultant contract to assist with delivering such a large capital improvement program. In January of 2000, two long-range financial reports by Bartle Wells Associates recommended that the PUC develop and adopt an integrated capital improvement program and long-range financial plan. In February of 2000, the State Auditor General recommended the completion of a long-range capital improvement program financial plan. In April of 2000, the PUC published a *Water Supply Master Plan* and a *Facilities Reliability Plan* which identified critical water system capital improvement projects, most of which were included in prior reports, but which failed to develop financing plans. On August 28, 2000, the Board of Supervisors authorized the first year of a four-year Program Management Consultant contract between the PUC and the San Francisco Water Alliance[10], now renamed the Water Infrastructure Partners (see Comment No. 17). Since then, the PUC and the Program Management Consultant have worked to develop plans which (a) prioritized capital improvement projects in terms of their ability to improve reliability and reduce exposure to risk, (b) accurately estimated individual capital improvement projects' costs, (c) specified the project activities and staffing required to complete individual capital improvement projects, and (d) included financing plans.

2. The PUC hired a permanent General Manager in September of 2001 who focused on further development of the capital improvement program. In January of 2002, the General Manager presented the PUC with revised

[10] The San Francisco Water Alliance was a joint venture of Bechtel Infrastructure Corporation, The Jefferson Company, and Sverdrup Civil, Inc.

draft capital improvement plan documents. In response, the PUC requested public hearings to solicit feedback from local ratepayers and regional customers. Further revisions to the draft capital improvement program documents were made based on the input received at the public hearings, and on May 28, 2002, the PUC approved three key documents:

- A *Long-Term Strategic Plan for Capital Improvements* which identifies strategic objectives and performance measurements to guide the capital improvement program.
- A ten-year capital improvement program showing capital improvement program costs and schedules. Ms. Ostberg advises that all projects will begin construction within ten years, but that some may take up to an additional three years to close-out or complete, for a total of 13 years.
- A *Long-Range Financial Plan* which recommends an optimal strategy for financing the capital improvement program.

Evaluations of the Capital Improvement Program

3. Following a recommendation from the Mayor's Public Utilities Infrastructure Task Force, the PUC's General Manager hired R.W. Beck, an independent engineering firm, to review the development and validity of the entire capital improvement program, the PUC's ability to successfully implement a capital improvement program of that size, and the long-range financial plan. Ms. Ostberg states that R.W. Beck was selected by the PUC General Manager on the basis of that firm's reputation, experience with similar projects, independence from the PUC (it has no other business with the PUC), and availability. Appendix 1 to this report presents a digest of R.W. Beck's conclusions and recommendations.

4. In April and May of 2002, the R.W. Beck evaluation was reviewed by a Blue Ribbon Panel of professionals selected by the PUC's General Manager in consultation with the San Francisco Planning and Urban Research Association (SPUR) who had expertise in water delivery, infrastructure, planning, finance, and other disciplines.

This panel made a number of recommendations which are also summarized in Appendix 1 to this report.

5. Attachment I, provided by the PUC, states that the PUC agrees with all of the recommendations made by both R.W. Beck and the Blue Ribbon Panel, and states that it plans to implement those recommendations over the next two to three years.

Concurrent Legislative Developments

6. The State Legislature is currently considering three bills which would impact the PUC's proposed capital improvement program. Of these three bills, SB1870 is supported by the PUC. SB1870 proposes to establish an independent entity, the San Francisco Bay Area Regional Water System Financing Authority, for the financing of regional water system projects. If enacted, SB1870 would reduce the amount of bond funding required by San Francisco by approximately 56.2 percent or $2.039 billion, from $3.628 billion to approximately $1.589 billion because 70 percent of the regional water system component of the PUC's capital improvement plan ($2.039 billion of the $2.913 billion regional water system capital improvement program) would be financed through the new regional financing entity. Attachment I, provided by the PUC, outlines the three State bills and their potential impacts on the PUC's capital improvement program.

Capital Improvement Program Funding

7. According to Ms. Ostberg, the general provisions of the sale of the Water Revenue Bonds would be as follows:

- The timing of the issuance of the water revenue bonds each year would be determined by market conditions and capital improvement project spending rates. While the table below aligns projected bond issuance dates with projected capital improvement project expenditures, funding in certain years could initially take the form of commercial paper or other variable rate interest debt to be refunded by later bond issues, if financially advantageous to the City.

- At any given time, the PUC might have financing in place such as commercial paper to serve as interim financing during the capital improvement project construction phases, as well as 30 year term fixed or variable rate bonds to provide permanent financing once construction is completed.
- The PUC expects to actively seek and take advantage of other financing sources as they become available, including State or Federal grants, extraordinary revenues (for example, one-time revenues from surplus land sales), and State revolving funds. Such alternative sources, if available, would reduce the amount of bonds which would need to be issued and would lower the overall capital improvement program costs.
- Each type of financing would require the prior approval of the Mayor and the Board of Supervisors.
- The water revenue bonds would be issued at an interest rate not to exceed 12 percent, or whatever future cap (if any) is set by State law.

8. Attachment II, provided by the PUC, shows the projected debt service schedule for the proposed revenue bonds for the period of FY 2001-2002 through FY 2031-2032. Since the PUC has not yet developed a final financing plan, the PUC has not yet estimated the average and total debt service payments over the full 30 year terms of each projected series of revenue bond issuances.

9. Attachment III, provided by the PUC, shows that San Francisco ratepayers currently pay the second lowest average water rates in the Bay Area. In FY 2002-2003, San Francisco ratepayers pay an average monthly water bill of $14.43, compared to an average monthly water bill of $17.51 across the 12 Bay Area jurisdictions. However, as shown in the table below, San Francisco ratepayers' share of water system projects would be paid for by projected gradual increases in water rates from an average monthly bill of $16.00 in FY 2003-2004 to an average monthly bill of $42.89 in FY 2015-2016, a $26.89 per month or approximately a 168.1 percent increase using 2003 dollars. For regional wholesale customers, the

unit cost[11] would gradually increase from $1.04 per unit in FY 2003-2004 to $2.69 per unit in FY 2015-2016, a $1.65 per unit or approximately a 158.7 percent increase using 2003 dollars. Ms. Ostberg advises that the water rates of other utilities will also increase during this period as a result of their own capital improvement programs or because they are wholesale customers of the PUC.

10. The following table presents (a) the PUC's projected sale of revenue bonds or other instruments, and (b) the impacts on residential and wholesale rates for the period of FY 2003-2004 through FY 2015-2016.

[11] The unit cost is expressed as dollars per hundred cubic feet of water ($/Ccf).

Fiscal Year	2003-04 ($ million)	2004-05 ($ million)	2005-06 ($ million)	2006-07 ($ million)	2007-08 ($ million)	2008-09 ($ million)	2009-10 ($ million)
<u>Amount of Financing Issued</u>							
Regional Water	$21	$56	$77	$215	$340	$422	$416
Local Water	10	20	53	67	77	154	133
Annual Total	$31	$76	$130	$282	$417	$576	$549
Average monthly cost to SF ratepayers	$16.00	$17.77	$19.54	$21.50	$22.57	$23.93	$25.36
Unit cost to regional customers	$1.04	$1.10	$1.15	$1.16	$1.17	$1.30	$1.52

Fiscal Year	2010-11 ($ million)	2011-12 ($ million)	2012-13 ($ million)	2013-14 ($ million)	2014-15 ($ million)	2015-16 ($ million)	Totals ($ million)
<u>Amount of Financing Issued</u>							
Regional Water	$529	$253	$207	$174	$139	$64	$2,913
Local Water	77	31	56	37	0	0	715
Annual Total	$606	$284	$263	$211	$139	$64	$3,628
Average monthly cost to SF ratepayers	$27.90	$30.69	$33.89	$37.28	$40.85	$42.89	
Unit cost to regional customers	$1.78	$2.06	$2.31	$2.48	$2.52	$2.69	

11. For businesses, the proposed revenue bonds would result in annual water rate increases of between 4.8 and 5.8 percent, depending on the industry, according to Ms. Ostberg.

12. Ms. Ostberg states that during the public hearings on the PUC's proposed capital improvement program, the PUC received considerable public comment from all customer classes on the impact of the proposed bond measure on those least able to pay higher rates. Therefore, the PUC intends to initiate a rate study to (a)

review the PUC's rate structure, (b) ensure that rates are fairly distributed among customer classes, and (c) incorporate a means to support conservation and recycling initiatives. The rate study results are expected in early 2003, after the November of 2002 election but prior to the first issuance of the proposed bonds and the resulting rate increase. Ms. Ostberg advises that this rate study cannot be completed earlier because its largest component, a demand study, requires examination of the peak demand period of September through October of 2002. Ms. Ostberg advises that a rate study has not already been completed because (a) the PUC lacked a permanent General Manager, and (b) one of the key lessons learned from the public hearings was the public's desire to better understand the PUC rates structure.

13. At the Capital Improvements Advisory Committee meeting of June 28, 2002, the Controller and the Mayor's Director of Public Finance raised a number of concerns about (a) the size of the proposed bond measure, (b) the impact of possible State legislation, (c) the PUC's financial assumptions, (d) the large amount of capitalized interest totaling $351,836,000 or approximately 9.7 percent of the total financing proceeds of $3.628 billion, (e) the impact of Proposition H and any subsequent referendum on the Water Enterprise credit rating and its ability to set water rates, and (f) alternative authorization and financing scenarios given Charter Section 9.107 exceptions (see Appendix 2 to this report for a discussion of Charter Section 9.107). Attachment I outlines the PUC's response to these issues. Since the preparation of Attachment I, Mr. Bill Berry of the PUC, the Controller, and the Mayor's Director of Public Finance met on July 3, 2002 to discuss these issues further. Mr. Berry, Mr. Harrington, and Ms. Moyer will be available at the Finance Committee's July 10, 2002 meeting to update the Committee on the results of their July 3, 2002 meeting.

14. Appendix 2 to this report provides additional information on the PUC's Water Enterprise credit ratings, other financing options if voters do not approve the proposed revenue bonds, and Charter Section 9.107 exceptions.

15. As noted above, the proposed resolution does not cover the $996 million needed to fund the ten projects designed to replace or repair aging clean water facilities. According to Ms. Ostberg, the public outreach hearings on the capital improvement plan held by the PUC in the Spring of 2002 identified a lack of community support for the Clean Water capital improvement projects selected by the PUC and raised a number of environmental issues. Therefore, the PUC General Manager is recommending that the PUC prepare a separate, comprehensive sewer service master plan over the next 18 to 24 months. Ms. Ostberg states that the PUC anticipates bringing a Clean Water Revenue Bond proposal to the Board of Supervisors during calendar year 2004.

Program Management Consultant

16. On August 28, 2000, the Board of Supervisors approved a four-year contract between the PUC and the San Francisco Water Alliance[12] for program management services related to the capital improvement program (Board Resolution 754-00), subject to annual Board of Supervisors approval to renew the contract.

17. On March 28, 2002, Bechtel Infrastructure Corporation withdrew from Contract Year 2 of the Program Management Consultant contract, thus terminating its contractual relationship with the City. The remaining joint venture partners, now consisting of Primus Industries, Inc.[13] and Jacobs Civil, Inc.[14] and renamed the Water Infrastructure Partners, requested

[12] The San Francisco Water Alliance consisted of Bechtel Infrastructure Corporation, Sverdrup Civil, Inc., and The Jefferson Company.

[13] On October 1, 2000, The Jefferson Company changed its name to Primus Industries, Inc. Mr. Jefferson states that he is the sole owner of Primus Industries, Inc. According to Ms. Lillie Sunday of Primus Industries, Inc., on October 1, 2000 The Jefferson Company changed its name to Primus Industries, Inc. "to provide the necessary infrastructure required to support our rapid growth in size, services, and capabilities. We operate as Primus Industries, Inc. with two subsidiary companies: Primus Transportation Company, and Primus Infrastructure Company." Mr. Jeet Bajwa of the PUC states that when The Jefferson Company's name change to Primus Industries, Inc. took place on October 1, 2000, the Human Rights Commission was advised immediately and Human Rights Commission certification was issued on March 12, 2001. However, for the purposes of the former San Francisco Water Alliance contract, The Jefferson Company name was left unchanged.

[14] On March 1, 2002, Sverdrup Civil, Inc. was purchased by Jacobs Civil, Inc. and ceased to exist as a separate entity.

that the PUC reassign the program management services contract to their reconstituted joint venture, with Jacobs Civil, Inc. as the lead partner responsible for meeting the contract requirements, the role formerly performed by Bechtel Infrastructure Corporation[15]. PUC staff determined that the reconstituted joint venture met or exceeded each of the original Request for Proposals' requirements and was therefore qualified and competent to assume responsibility for completing the contract term. The PUC accepted the proposed reassignment of the contract to the reconstituted joint venture, subject to Board of Supervisors approval to (a) reassign the contract, (b) waive the competitive procurement requirements of Administrative Code Sections 6.40 *et seq.*, and (c) release the remaining contract funds for Contract Year 2 which expires on September 21, 2002. Board of Supervisors approval was granted on June 17, 2002 (File 02-0905). According to Mr. Jeet Bajwa of the PUC, it is the PUC's intention to request that the Board of Supervisors approve Contract Year 3 continuation of the contract with the renamed Water Infrastructure Partners (September 22, 2002 through September 21, 2003).

18. The Controller has performed three audits of the Program Management Consultant's performance against its task orders, short-term performance measures, and long-term performance measures (July 20, 2001, October 2, 2001, and April 8, 2002). In August and September of 2001, an independent Peer Review Panel reviewed the work of the Program Management Consultant [16]. In May of 2002, the PUC completed a new performance evaluation of the Program Management Consultant which concluded that during the first half of Contract Year 2 the

[15] In a March 28, 2002 letter to the PUC's General Manager, Mr. James Jefferson, President and CEO of Primus Industries, Inc. and Ms. Darlene Gee, Vice-President of Jacobs Civil, Inc. state: "We propose to rename our joint venture, if desirable, to allow a clean break from the association with past perceptions. We would restructure the joint venture and designate Jacobs Engineering as the lead. Everything else would remain unchanged."

[16] The independent Peer Review Panel, convened to meet the Board of Supervisors requirement for an independent peer review of Contract Year 1 of the San Francisco Water Alliance contract, comprised Mr. Paul Findley and Mr. Peter Talbot of Malcolm Pirnie, Inc. (a private company of environmental engineers, scientists, and planners) and Dr. Douglas Selby, Deputy City Manager of the City of Las Vegas. A key recommendation of that peer review was that performance measures should be established within each task order issued to the Program Management Consultant by the PUC.

Program Management Consultant performed as follows. On a scale of 1 (did not deliver as agreed), 2 (partial fulfillment), and 3 (delivered as agreed), the Program Management Consultant scored 3 for "adherence to project schedule" and "task management", 2.61 for "adherence to project schedule," and 2.58 for "quality of work" in relation to 12 tasks. Therefore, the PUC evaluated the Program Management Consultant as fully meeting half of its key performance measures.

19. The Budget Analyst notes that while the PUC intended to fully integrate PUC and Program Management Consultant staff during the first two contract years, such integration has not taken place. The Budget Analyst also notes that the ability of the Program Management Consultant to achieve significant, documented, and verifiable capital improvement program management savings remains unproven.

Workforce Issues

20. Since the Budget Analyst's first report on the Program Management Consultant contract issued in August of 2000, the Budget Analyst has noted the PUC's historic inability to fill vacant engineering positions in the PUC's Utilities Engineering Bureau. According to Ms. Therese Madden of the PUC, as of July 3, 2002 the Utilities Engineering Bureau has 60 vacancies out of 197 positions in total (approximately 30.5 percent). Of these 60 vacancies, 40 are in engineering classes, out of 119 engineering positions in total (approximately 33.6 percent), and ten are in technical classes. Ms. Madden states that the PUC has initiated the hiring process for 11 of the 40 vacant engineering positions. Ms. Madden advises that the majority of the remaining 49 vacant engineering positions are in classifications which now have eligible lists, and therefore hiring appointments could be made immediately. However, the hiring process has not been initiated for those 49 vacant positions because such positions are to work on capital improvement projects funded by the proposed revenue bonds which have yet to be approved by the voters. Ms. Madden states that the Utilities Engineering Bureau does plan to initiate the selection processes for these 49 vacant

positions in the Fall of 2002, in advance of the voters' approval of the proposed revenue bonds, so that potential candidates can be hired and begin work as soon as the revenue bonds are approved.

21. For FY 2002-2003, the PUC requested $1,849,491 to establish a Capital Improvement Program Team to manage the capital improvement program. The Budget Committee has recommended this request for approval by the Board of Supervisors. The requested $1,849,491 includes $1,186,491 for 18 new positions (13.50 FTEs in FY 2002-2003) and $663,000 for contractual services, materials and supplies, and equipment. Ms. Madden states that the PUC has implemented a hiring plan to staff the new Capital Improvement Team by October 1, 2002. Recruitment has been underway for some time for the program manager positions, and the PUC is initiating an examination process to establish a permanent list for such positions. Selections are currently being made from the Senior Engineer and Association Engineer lists. The PUC intends to make all administrative and clerical appointments by October 1, 2002, according to Ms. Madden. Attachment IV, provided by the PUC, contains the proposed capital improvement program staffing plan and an explanation of the FY 2002-2003 capital improvement program objectives.

<u>Charter Amendments</u>

22. On July 5, 2002, the Rules and Audits Committee will consider two proposed ballot measures to amend Charter sections pertaining to the PUC. The first proposed Charter amendment (File 01-2056) would alter PUC governance, goals and objectives related to energy, the PUC's powers related to electrical energy, siting of energy facilities, and rates for energy services. This proposed Charter Amendment would not alter the existing requirement that revenue bonds require either voter approval or, under the exceptions permitted by Charter Section 9.107 (as outlined in Appendix 2 to this report), approval of three-quarters of the Board of Supervisors. However, this proposed Charter Amendment would authorize the PUC to enter into agreements with other governmental entities, including

the proposed San Francisco Bay Area Regional Financing Authority, in connection with financing and constructing capital improvement projects that benefit San Francisco and its regional customers. Such agreements may provide for the issuance of debt on behalf of San Francisco.

23. However, the second proposed Charter amendment (File 02-0887) would establish the PUC's exclusive control of water and clean water utilities; rate setting standards and methods; the transfer of surplus funds between utilities; independence in contracting; purchasing, hiring, and selection of contractors; reporting and planning requirements; and authorization of revenue bonds or other financing methods without voter approval, if this proposed Charter Amendment is adopted by the voters. Ms. Ostberg states that to the extent that this proposed Charter Amendment gives the PUC authority to issue bonds without voter approval, this Charter Amendment would negate the need for the proposed revenue bond issuance of $3.628 billion.

Fire Department

24. While the PUC is responsible for managing the low-pressure water system, the Fire Department is responsible for managing the City's high pressure water system, the Auxiliary Water Supply System (AWSS). The Capital Improvements Advisory Committee expressed oncern that the PUC has not consulted the Fire Department about the impact of its water system capital improvement projects on the AWSS. In Attachment I, Mr. Berry states that the proposed capital improvement program would not significantly affect, either positively or negatively, the performance or reliability of the Fire Department's AWSS.

Summary of the Issues Noted by the Budget Analyst:

1. The Budget Analyst notes a number of issues which could impact the size of, and potential voter support for, the proposed revenue bond issuance:

- Potential State legislation, most notably SB1870, would, if enacted, reduce the amount of bond funding required by San Francisco by approximately 56.2 percent or $2.039 billion, from $3.628 billion to approximately $1.589 billion.
- The PUC's projected 168.1 percent increase in water rates payable by San Francisco ratepayers over the 13 years of the capital improvement program would adversely impact San Francisco ratepayers who currently pay the second lowest water rates in the Bay Area.
- The PUC will not be able to issue its proposed rate study report, which will ensure that rates are fairly distributed among customer classes, before the November of 2002 election.
- The Proposition H water rate and sewer service charge freeze has had a negative impact on the PUC's credit ratings, increasing interest rates by an estimated 0.2 percent, which increases debt service by $2,000,000 annually for every $1 billion of revenue bonds issued. Proposition H does not expire until July 1, 2006.
- The Controller and the Mayor's Director of Public Finance have expressed concerns about the PUC's financial assumptions and the provision of a large amount of capitalized interest pertaining to this proposed $3.628 billion revenue bond issue.
- The need for the proposed revenue bond issue could be negated if voters approve a Charter Amendment proposed for the November of 2002 ballot (File 02-0887) which would give the PUC authority to issue bonds without voter approval.

2. The Budget Analyst notes that the PUC's Program Management Consultant contract with the San Francisco Water Alliance, now reconstituted as the Water Infrastructure Partners, has, to date, failed to (a) fully integrate PUC and contractor staff, and (b) provide significant, documented, and verifiable capital

improvement program management savings despite the PUC's assurances to the Board of Supervisors that such savings are achievable.

3. The Budget Analyst also notes the PUC's historic difficulty in filling vacant engineering positions in the PUC's Utilities Engineering Bureau which is a key resource for implementing the proposed capital improvement program funded by the proposed revenue bonds.

4. At the Capital Improvements Advisory Committee meeting of June 28, 2002, the Controller and the Mayor's Director of Public Finance raised a number of concerns about (a) the size of the proposed bond measure, (b) the impact of possible State legislation, (c) the PUC's financial assumptions, (d) the large amount of capitalized interest totaling $351,836,000 or approximately 9.7 percent of the total financing proceeds of $3.628 billion, (e) the impact of Proposition H and any subsequent referendum on the Water Enterprise credit rating and its ability to set water rates, and (f) alternative authorization and financing scenarios given Charter Section 9.107 exceptions. Mr. Bill Berry of the PUC, Mr. Harrington, and Ms. Moyer met on July 3, 2002 to discuss these issues further. Mr. Berry, Mr. Harrington, and Ms. Moyer will be available at the Finance Committee's July 10, 2002 meeting to update the Committee on the results of their July 3, 2002 meeting.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

APPENDIX 1: INDEPENDENT EVALUATIONS OF THE CAPITAL IMPROVEMENT PROGRAM

R.W. Beck

R.W. Beck's May 21, 2002 report on the capital improvement plan concluded that:

- While supportive of the capital improvement program planning approach, Bay Area Water Users Association (BAWUA) members are frustrated by the PUC's slow progress in implementing the capital improvements. BAWUA has introduced State bills to create an agency which would allow BAWUA members to directly fund needed regional water system capital improvements.
- BAWUA members are concerned whether the PUC intends to continue to be a regional water provider that will meet BAWUA members' water supply requirements for the long term.
- The criteria for selecting, sizing, and measuring the performance of capital improvement program projects needs to be more fully developed, with quantifiable objectives and standards.
- The proposed capital improvement projects are necessary to maintain the regional and local water systems.
- The proposed capital improvement projects are at varying levels of definition and investigation, so the accuracy of the cost and schedule information varies. The PUC and its Program Management Consultant had endeavored to standardize the costs and schedules. R.W. Beck characterized this work as "diligent" and "methodical," stating that the approach followed by the PUC and the Program Management Consultant was "consistent with, and probably better than that used by most similar utility systems in preparing CIP programs."
- The consolidated capital improvement program/long-range financial planning process clearly prioritizes projects, ensures better cost estimates, and provides a valid basis for approval and adoption.
- Annual review of the capital improvement program by the PUC is appropriate.
- Historically, the PUC has tracked capital improvement program costs by classification of project which makes it difficult to evaluate the performance of individual projects.
- The long-range financial plan is logically constructed and is based on reasonable financial assumptions.

- Proposition H[1] poses serious threats to the PUC's ability to maintain satisfactory reserves and coverage ratios to support the debt that will be needed to fund the capital improvement program.
- The community needs better information on the costs and trends in other cities facing similar issues.

R.W. Beck further concluded that there is a significant risk that the planned level of project delivery will not be achieved, especially in the initial years of the program, because of:

- The relative inexperience of the PUC's Capital Improvement Program Manager in implementing a capital improvement program of this magnitude and complexity.
- The vacancy of the Assistant General Manager for Infrastructure position. According to Mr. Jeet Bajwa of the PUC, this position has been vacant since November of 2001. After several internal PUC candidates were considered, the PUC hired an external recruitment consultant to advertise the position in May of 2002. Ms. Ostberg advises that an interim Assistant General Manager for Infrastructure, Mr. Donald Birrer, a former PUC General Manager, was appointed on July 1, 2002, while the national recruitment search continues. The PUC expects to fill the position by September of 2002, according to Ms. Ostberg.
- The PUC's cumbersome hiring practices.
- The status of the program/project monitoring and controls system. Mr. Bajwa states that an evaluation of several control system tools is currently underway, with a decision expected to be made in December of 2002.
- The potential 12 to 24 month delay in hiring a new program management services contractor if the current Program Management Consultant is replaced.

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[1] Proposition H, approved by the voters on June 2, 1998, freezes water rates at their current levels until July 1, 2006, proposed to the following exceptions:

- The rate freeze does not apply to the fees charged to customers located outside of San Francisco.
- The rate freeze could be suspended if the City declared an emergency, as defined by Charter Section 3.100.
- The rates could be increased to repay the money borrowed through the City's issuance of bonds for improvements to the water system approved by the voters in November of 1997 (Propositions A and B), but such increases cannot exceed a total of 18 percent during the period between July 1, 1998 and July 1, 2006.
- The rates could be increased to repay money borrowed from further improvements to the water system approved by voters in the future.

The effective date of Proposition H, July 1, 1998 followed two years of rate freezes self-imposed by the PUC. Therefore, Proposition H froze rates at their 1996 levels through June 30, 2006, with the exception of the 18 percent increase allowed for debt service related to Propositions A and B Water Revenue Bonds. Of the $304,000,000 authorized by Propositions A and B, the issuance of $140,000,000 in Water Revenue Bonds during FY 2001-2002 necessitated an 8.65 percent average rate increase for retail customers. The anticipated issuance of the remaining $164,000,000 in Water Revenue Bonds during FY 2002-03 will necessitate a further 8.60 percent average rate increase for retail customers, for a compounded cumulative rate increase of 17.99 percent over two years, thereby hitting the 18 percent cap imposed by Proposition H (File 02-0904)

- The need for a tenfold increase in the rate of project delivery. The PUC has historically developed and implemented capital projects at a slow pace.
- The lack of project accountability related to cost and schedule.
- The lack of an Asset Management Plan to follow-up on capital improvement projects after completion.
- The cumulative effect of all of the tasks scheduled to be accomplished over the next 12 months.

Based on the above conclusions, R.W. Beck recommended that the PUC:

- Coordinate with BAWUA to (a) refine the Regional Water Master Plan to reflect mutually agreeable performance standards, (b) conduct an integrated resources management plan, and (c) evaluate alternative regional associations for implementing critical regional water improvements.
- Formally adopt the capital improvement program, establish a process for the annual update, reporting, and/or approval of changes, and declare that the PUC intends to be a long-term regional provider of water.
- Continue to use the cost model, capital improvement program scheduling, and "optioneering"[2] tools developed over the last two years.
- Make hiring an Assistant General Manager for Infrastructure a top priority to (a) manage external communications and expectations, and (b) develop a Business Plan with the Program Management Consultant.
- Establish a joint venture between the PUC's Capital Improvement Program Group and the Program Management Consultant to establish a clear and integrated working relationship between the two organizations. Such an arrangement is not unusual in implementing major public sector projects with private consultants, according to R.W. Beck.
- Develop a dual-track or contingency plan approach for capital improvement plan implementation during the first several years.
- Develop an Asset Management Plan to track future system maintenance and capital replacement requirements.
- Implement a capital improvement program oversight committee to conduct an annual review of the capital improvement program.
- Implement an internal Technical Advisory Committee to provide oversight of individual capital improvement program projects.
- Streamline PUC review and approval processes.
- Capitalize interest over three years rather than two years to better represent the costs incurred prior to project commercialization.

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[2] "Optioneering" is a process which uses alternative analyses to (a) identify the real project needs, (b) determine the appropriate evaluation criteria, (c) evaluate solutions against those criteria, (d) select the optimum project, (e) define the design base, and (f) obtain engineering and customer concurrence. The optioneering assessment should include capital and operating costs, specification requirements, environmental implications, and preliminary schedules.

- Take the steps necessary to protect bond ratings given the capital improvement program's debt financing requirements.
- Review the formula for calculation of Suburban Water Revenue Requirements when the Master Water Sales Contract is renewed. If possible, the PUC should amend the Master Water Sales Contract (which is due to expire on June 30, 2009) prior to any additional bond issues. If revenues can be more closely tied to debt service, the financial community's confidence should be enhanced.

Blue Ribbon Panel

In April and May of 2002, the R.W. Beck evaluation was reviewed by a Blue Ribbon Panel of professionals with expertise in water delivery, infrastructure, planning, finance, and other disciplines, convened by the San Francisco Planning and Urban Research Association (SPUR)[3]. The Blue Ribbon Panel concluded that the R.W. Beck evaluation was "very competent, comprehensive, rigorous, accurate and on target for this stage in the [capital improvement] program." The Blue Ribbon Panel further recommended that:

- Develop project management and accounting mechanisms which allow for real-time assessment of project status and cost-run rates, and which are consistently applied to all capital improvement projects.
- Fully integrate the Facilities Reliability Program (seismic) and the Water Supply Master Plan (conservation, desalination, and recycling), and develop detailed, regularly updated system recovery plans.
- Clearly delineate seismic design, water reliability, and drought supply standards. The capital improvement program should be flexible enough to adapt to higher water treatment standards in the future. An analysis should be conducted of whether system replacement every 100 years is an acceptable life cycle.
- Explain to the public the reasons for potential uncertainties in project cost estimates in order to allay public concerns about budget overruns.

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[3] The panel members were (a) Jim Chappell, SPUR, (b) Margaret Bruce, Silicon Valley Manufacturing Group, (c) Dennis Diemer, East Bay Municipal Utility District, (d) David Dowall, University of California, (e) Jeanne Myerson, San Francisco Chamber of Commerce, (f) John Wise, Natural History Institute, and (g) Greg Zlotnick, Santa Clara Valley Water District.

- Report on the projects planned and completed pursuant to Propositions A and B[4], as well as an assessment of who those projects relate to the capital improvement program.
- Develop a larger policy context to guide implementation and define priorities in terms of environmental stewardship, environmental justice, stakeholder involvement, the PUC's role, regional service commitments, integrated resource planning, and regional crisis planning. Once policies and goals are established, they should be translated into performance measures.
- Streamline contracting procedures and incorporate penalties for cost overruns, sharing of cost savings, and bonuses for completion ahead of schedule.
- Clearly differentiate between projects which require permanent staff (for ongoing utility functions) and projects which require consultants (for time-defined tasks).
- Develop a rate structure which includes incentives for suburban customers to reduce peak water usage. Reduction of future peak demands could reduce the size of future facilities and, therefore, capital improvement program costs.
- Take account in the long-range financial plan of lower interest rates for bond money.

[4] In November of 1997, voters approved $157,000,000 of Water System Reliability and Seismic Safety Bonds and $147,000,000 of Safe Drinking Water Revenue Bonds, for a total of $304,000,000. According to Ms. Ostberg, the PUC spent the first 18 months planning and designing the construction projects and putting a commercial paper program into place. While the ordinances indicated that revenue bonds would be the ultimate funding source for the projects authorized by Propositions A and B, from July of 1999 the PUC used commercial paper to fund the initial expenditures because commercial paper provided greater flexibility and lower interest rates. The PUC issued $140,000,000 of these bonds in August of 2001, of which approximately $85,000,000 was used to refund outstanding commercial paper notes, and the remaining $164,000,000 is anticipated to be sold in FY 2002-03. The proceeds of that second issue will, after payment of issuance costs, be used to retire all outstanding commercial paper notes, and the remainder will be applied towards approved Proposition A and B projects. Of the seismic and safety projects, at February 28, 2002, 35 percent were complete, 57 percent were underway, and 8 percent had not been started. Of the water quality projects, at February 28, 2002, 28 percent were complete and 72 percent were underway.

APPENDIX 2: FINANCING ISSUES

Water Enterprise Credit Rating

On June 10, 2002, the Budget Analyst issued a *Review of Best Practices for Financing Large Capital Improvement Projects at Municipal Utilities in the State of California*, which was prepared in conjunction with the Legislative Analyst's Office, the Mayor's Director of Public Finance, and the PUC. In that report, the Budget Analyst concluded that the Proposition H rate freeze has had a negative impact on the Water Enterprise's credit ratings.

Prior to the rate freeze, Moody's rated the Water Enterprise as "Aa" and Standard and Poor's rated the Water Enterprise as "AA with a stable outlook." Now, Moody's rates the Water Enterprise as "A1" and Standard and Poor's rates it as "A+ with a stable outlook." Of the 12 major Californian public utilities surveyed by the Legislative Analyst's Office, the Water Enterprise (in combination with the Clean Water Enterprise) had the lowest Moody's and Standard and Poor's ratings. Both rating agencies advised the Legislative Analyst's Office that ratings upgrades would not occur until the Water Enterprise's financial profiles, as measured by factors such as debt service ratios, improve dramatically, coupled with reassurances that the capital improvement program would be implemented and supported with a credible and sustainable financial plan. Such financial improvements could only occur by increasing water service rates and obtaining rate-making authority to further increase water service rates in the future in order to ensure financial stability, flexibility over capital improvement program implementation, and funding authorization.

Financial projections for the Water Enterprise indicate that its financial viability will largely be maintained through FY 2006-2007, and that the City will be able to meet the debt service coverage requirements contained in the Water Revenue Bond covenants[1]. However, these projections do not include funding the capital improvement program's water projects. The Mayor's Director of Public Finance, Ms. Monique Moyer, estimated that the Water Enterprise's lowered credit ratings would result in a 0.2 percent increase in interest rates if the PUC issued new revenue bonds today, which is $2,000,000 of additional debt service annually for every $1 billion of revenue bonds issued.

[1] Debt service coverage requirements in the revenue bond indentures require that net revenues, together with unappropriated fund balances, in each fiscal year must be equal to at least 1.25 times more than the revenue bond annual debt service due in that fiscal year.

Other Financing Options if Insufficient Voter Support

According to the *Long-Range Financial Plan*, without additional voter-approved debt, capital investment in the water system will be limited to the approximately $20,000,000 annually which can be supported by operating revenues. Attachment I, provided by the PUC, explains the full range of options available to the PUC if the proposed bond measure was not passed by the voters. These options are:

- Delaying projects until voter approval is secured.
- Delaying replacement and repair projects until after the July 1, 2006 expiration of the Proposition H rate freeze, at which time three-quarters of the Board of Supervisors could approve such projects (barring any other voter-imposed restriction).
- Losing PUC control of the regional water system to a regional financing authority.

The Budget Analyst notes that there is also the option of entering into an agreement with regional water service customers, and perhaps with the State, to permit regional participants to directly finance regional projects and jointly assume the risks involved. Under this scenario, the city would pay one-third of the cost of such projects by making payments to a Joint Powers Authority formed by its customers. This approach would raise issues about the ownership of improvements, operation of the regional system, and the governance and powers of the Joint Powers Authority.

Charter Section 9.107

There are exceptions to the voter approval requirement of Charter Section 9.107 which mandates that the issuance of revenue bonds for the water system be approved by a simple majority of the electorate. Revenue bonds can be issued for the water system with a three quarters approval of the Board of Supervisors if the proceeds of such bonds are used to: (a) comply with a State or Federal order, (b) reconstruct or replace existing water facilities under the PUC's jurisdiction, or (c) create or maintain alternative energy sources.

In Attachment I, Mr. Bill Berry of the PUC advises that "a portion of the projects for the local water system qualify for financing pursuant to this provision." However, Mr. Berry notes, as a result of the Proposition H rate freeze, rates could not be raised to fund debt service on bonds that do not have voter approval. Therefore, issuance of bonds under Charter Section 9.107 would be restricted until after July 1, 2006, and could be restricted by future voter action.

San Francisco Public Utilities Commission

MEMORANDUM

DATE:	July 3, 2002	
TO:	Board of Supervisors' Budget Analyst	cc: Patricia E. Martel, GM, SFPUC
FROM:	Bill Berry, Assistant General Manager for Finance & Administration, SFPUC	
SUBJECT:	Water Bond Measure (File 02-0910)	

Summary

This memorandum is intended to respond to certain questions raised by the Board of Supervisors' Budget Analyst in its review of the proposed bond measure for the Water Enterprise.

Follow-up to RW Beck & Blue Ribbon Panel

As noted in the Budget Analyst's report, the SFPUC retained RW Beck to review its proposed Capital Improvement Program and Long-Range Financial Plan. RW Beck was selected by the SFPUC based on Beck's national reputation for providing independent reviews associated with Bond Financings and capital programs in the water and wastewater areas, and because RW Beck had not provided other consulting or engineering services to the SFPUC in the past.

RW Beck's report provides a review of three areas:

- CIP Process: RW Beck reviewed the development and validity of the CIP as proposed by SFPUC staff.
- CIP Implementation: RW Beck reviewed the SFPUC's ability to successfully deliver the proposed program in an efficient and timely manner.
- CIP Revenue Requirements: RW Beck reviewed the proposed Long-Range Financial Plan.

In general, RW Beck concluded that the proposed CIP was developed through a Comprehensive Process, that the CIP projects are good and necessary, and that the CIP effort and level exceeded the norm. In addition, RW Beck concluded that the LRFP was logically constructed and functionally correct, and that the financial assumptions are reasonable.

In its review of CIP implementation, RW Beck noted a number of challenges, including leadership concerns, staffing and hiring, and concerns related to the SFPUC's program management consultant. RW Beck provided a number of specific recommendations, with which the SFPUC concurs completely. The SFPUC has already initiated follow-up in a number of key areas:

- Leadership: The SFPUC has hired Don Birrer (formerly Executive Director of the Clean Water Program and General Manager of the SFPUC) as Interim Assistant General Manager for Infrastructure to provide high-level leadership to the CIP. The SFPUC's new CIP Group and its Utilities Engineering Bureau, led by Karen Kubick and Michael Quan, respectively, will report to Mr. Birrer. In addition, the SFPUC has a recruitment effort underway to identify and hire a permanent AGM for Infrastructure,

with the expectation that this process will be completed by the end of September 2002.

- Program Management Consultant: With the concurrence of the Board of Supervisors, the SFPUC has retained the Water Infrastructure Partners, led by Jacobs Engineering and Primus Inc., as its program management consultant following the departure of Bechtel from the San Francisco Water Alliance joint venture.
- Staffing and Hiring: The SFPUC has undertaken a concerted effort to identify and hire qualified candidates to fill positions critical to implementing the capital improvement program. The initial results of a widespread recruiting effort are encouraging and we expect to have the key positions filled within the next few months.
- Other Recommendations: The SFPUC concurs with most of the implementation-related recommendations from RW Beck and is committed to implementing them under the direction of the AGM for Infrastructure and with the support of other departments of the SFPUC.

As noted in the Budget Analyst's report, an independent Blue Ribbon Panel, at the request of the SFPUC's General Manager, reviewed the RW Beck evaluation. In addition to their conclusions about the excellent quality of RW Beck's review, the Panel provided a number of policy recommendations to the Commission. The SFPUC concurs with these recommendations and plans to implement them.

POTENTIAL IMPACT OF STATE LEGISLATION

The Budget Analyst's report notes the three bills under consideration by the California State Legislature that could impact San Francisco's control and operation of the Hetch Hetchy Water System. These bills are further described below:

- **SB 1870 (sponsored by State Senator Jackie Speier)**: This bill has been approved by the State Senate, is now pending in the Assembly, and the Governor has indicated his intention to sign it. Effective January 1, 2003, SB1870 would establish the San Francisco Bay Area Regional Water System Financing Authority to assist in financing construction of projects on the regional Hetch Hetchy system. Upon passage, it would be possible for the Authority to issue revenue bonds on behalf of the wholesale customers of the water system to finance regional projects. The Senate has approved this legislation, but passage by the Assembly is not expected until August. The Governor has indicated he will sign it.

  This could effectively reduce the proposed bond measure by approximately $2 billion. It would still be necessary, however, for San Francisco voters to approve bond financing for the San Francisco share of the cost of capital improvement projects on the regional system (approximately $900 million for the proposed CIP) and to fund projects related to the local distribution system (estimated at $715 million).

- **AB1823 (sponsored by Assemblyman Lou Papan)**: AB1823 would require the City to adopt a Capital Improvement Program and Emergency Response Plan by February 2003. The City would be required to complete nine specific regional water projects within a specific timeframe contained within the bill. The entire regional Capital Improvement Program would be subject to oversight by the State Department of Health Services (DHS), a role that heretofore they have not performed nor are equipped to perform within the state. The bill also further extends this DHS oversight on the operation and maintenance of the regional water system, including budgets and power operations. There are many other portions of the bill that the City has also found to be disagreeable. The City continues to oppose this bill

AB2058 (sponsored by Assemblyman Lou Papan): AB2058 creates the Bay Area Water Supply and Conservation Agency, which would have the ability to plan, finance, build, and operate facilities for collection, transmission, reclamation, reuse, and conservation. The Agency could also acquire water and water rights, develop and store water, and sell water.

If SB 1870 (Speier) were enacted, the San Francisco Bay Area Regional water System Financing Authority would be charged with issuing revenue bonds for the SFPUC's Regional Water Capital Improvement Program. In contrast, the Agency created by AB 2058 would be able to build various local water projects for the 29 wholesale customers who have agreed to participate in the authority, separate and distinct from the Hetch Hetchy system, AB 2058 would not impact the SFPUC's CIP.

R&R PROJECT FINANCING WITHOUT VOTER APPROVAL (CHARTER SECTION 9)

Under Charter Section 9.107, the SFPUC may, upon vote of three-quarters of the Board of Supervisors, issue revenue bonds "for the purpose of the reconstruction or replacement of existing water facilities" (R&R Bonds). As a result of the Proposition H rate freeze, rates could not be raised to fund debt service on bonds that do not have voter approval. Therefore, issuance of bonds under this provision of the Charter is restricted until after July 1, 2006, and could be further restricted by future voter action.

A portion of the projects for the local water system qualify for financing pursuant to this provision (an opinion of the City Attorney and Bond Counsel has been requested to further refine eligibility requirements). Therefore, it would be possible for the Board (upon the vote of three-quarters of the members) to approve the issuance of bonds for eligible projects beginning in four years. Voter approval would be necessary for non-R&R projects, or the bulk of regional facilities, local recycling projects, and selected other projects.

AVAILABLE OPTIONS IF BOND MEASURE FAILS

While there is evidence of strong public support for a bond measure intended to protect the water system, the following options are available if the proposed bond measure fails:

- Non-R&R projects would have to be delayed until voter approval is secured.
- Projects eligible for R&R status could be approved by three-quarters of the Board members for issuance after expiration of the Proposition H rate freeze. The CIP would have to be delayed until that time.
- Given the need to complete regional system capital projects, there is a risk that the State Legislature would adopt legislation removing SFPUC control of the regional water system, authorizing the issuance of revenue bonds by the Financing Authority, and requiring surcharges for San Francisco retail customers to cover their allocable share of debt service on bonds,

CIAC-RELATED QUESTIONS

The Budget Analyst's report notes certain questions raised by the Controller and the Mayor's Director of Public Finance at the June 28, 2002, meeting of the Capital Improvement Advisory Committee (CIAC). While the SFPUC is meeting with the Controller and Director on July 3, 2002, to further discuss their concerns, the SFPUC believes that its CIP and Long-Range Financial Plan provide the most reasonable method of estimating future costs and providing for uncertainty in inflation, interest rate and other assumptions. A discussion of the specific questions mentioned in the Budget Analyst's report is provided below:

- **SIZE OF PROPOSED BOND MEASURE:** The Commission has requested the Board place a \$3.6 billion bond measure on the November ballot to finance water system

improvements. As noted elsewhere in this memorandum, the creation of a Regional Financing Authority by SB1870 would provide a new mechanism for financing the share of costs supported by our wholesale customers, and reduce the required bond authorization to approximately $1.6 billion. The SFPUC is reasonably certain that this legislation will be approved and is willing to consider a reduction in the proposed ballot measure authorization at this time.

The Controller and Finance Director have questioned whether the proposed bond authorization might be reduced by changes in various assumptions, including some discussed below. It is important to note that our Long-Range Financial Plan provides a conservative estimate of future costs based on the cost estimates for capital projects contained in the CIP. We recognize that actual results will vary based on a variety of factors, and that we cannot provide certainty that the estimates provided for this program will be achieved. Nevertheless, it is important to let our ratepayers know what kind of rate increases they can expect to fund this program. If the proposed projects are executed according to the CIP schedule, the current LRFP provides the best estimate of the amount of required bonds and rate impacts.

- **IMPACT OF PROPOSED LEGISLATION**: The potential impact of the proposed Speier Legislation (SB1870) on the amount of bonds required has been addressed elsewhere in this memorandum. Financing projects on behalf of the regional wholesale customers using this mechanism represents a significant change in approach. Currently, costs allocated to the wholesale customers based on the Master Water Sales Contract. In general, projects must be completed and placed into service before the wholesale customers begin paying. The City must finance projects prior to that time, although capitalized interest is assumed during construction so as not to burden City ratepayers.

  On the other hand, after projects are placed in rate base, the wholesale customers pay a rate of return (based on the City's embedded cost of capital) and straight-line depreciation. The City recovers its full cost over the life of an asset using this methodology. However, the initial combination of rate of return plus depreciation exceeds the City's incremental debt service attributable to the wholesale customer's two-thirds share of project costs. This "extra" revenue has been used to keep rates for City customers lower than they would be if all customers, retail and wholesale, paid a *pro rata* share of debt service at all times.

  Therefore, one impact of financing wholesale costs under SB1870 will be somewhat higher rate increase estimates for City customers in the future. The SFPUC believes that this impact can be offset somewhat by the use of capitalized interest to phase in debt service costs gradually.

  Note that the change in methodology would not result in a shifting of the long-term burden of costs between City and wholesale customers, as the wholesale customers pay their full share of costs under the Contract.

- **CONSERVATIVE ASSUMPTIONS — CONTINGENCY AND MANAGEMENT RESERVES**: The CIP is built on cost estimates for each of the 77 individual projects in 2003 dollars. These costs are escalated based on the length of construction for each project and a three percent annual inflation rate. There is an expected variance on each project cost estimate because the projects have not completed final design and engineering. The San Francisco Water Alliance reviewed each estimate and conducted a statistical analysis to determine what the variability of the cost estimate for the entire program of 77 projects would be. They recommended a total 16 percent contingency and reserves to provide a 75 percent confidence of delivering the entire program within the overall cost estimate. Therefore, the program contains $409 million of

contingency and reserves for this purpose. These provide a measure of protection against cost overruns on individual projects and unforeseen events or changes in regulations. Contingencies of this nature are recommended for capital projects and programs, and the SFPUC believes the level of such funds for this CIP is appropriate. This belief has been confirmed by the independent engineering firm, RW Beck, that reviewed the CIP and LRFP.

- **AMOUNT OF CAPITALIZED INTEREST:** The LRFP assumes that interest will be capitalized for two years at the bond interest rate (5.5 percent) for each capital project. Without capitalized interest, it would be necessary to raise rates earlier and in greater amounts than is shown in the LRFP. The Controller questioned whether the capitalized interest assumption is based on the fact that City ratepayers must "carry" the cost for wholesale customers while projects are under construction. Capitalized interest is necessary irrespective of this factor. Without it, rates would have to be increased more quickly. In addition, if the projects for the Suburban customers are financed through the Financing Authority, as expected, capitalized interest will be more necessary to protect City ratepayers against higher rate increases required as a result of the loss of the incremental subsidy provided by the wholesale customers under the Contract.

  The capitalized interest amounts are conservative in a different sense, however. It is assumed that interest will be capitalized at the bond rate. It is the SFPUC's expectation that we will use commercial paper or other short term instruments to fund a portion of construction costs. CP carries significantly lower interest rates. However, the SFPUC has chosen to assume the higher costs because it cannot be assured of access to the credit and liquidity markets for CP at all times. Nevertheless, to the extent CP is used, the SFPUC would need to issue fewer bonds than assumed by the LRFP. Note that RW Beck recommended the SFPUC capitalize interest for three rather than two years. The SFPUC believes that the use of CP mitigates against the need to increase the amount of capitalized interest assumed in the LRFP.

- **IMPACT OF PROPOSITION H OR SUBSEQUENT REFERENDA:** Proposition H effectively freezes rates at 1998 levels through fiscal year 2006. There remains the possibility of a similar measure taking effect in future years which would inhibit SFPUC's ability to raise rates to support bonds necessary to finance essential improvements to the system.

- **ALTERNATIVE SCENARIOS USING CHARTER SECTION 9.107 R&R BONDS WITHOUT VOTER APPROVAL:** There are some projects which, in our opinion, may be qualified as "reconstruction" projects and as such could be financed without voter approval pursuant to the Charter. (We have requested the City Attorney to formally define "reconstruction" projects as it relates to the Charter.) However, bonds can only be supported by an increase in rates, which cannot occur under the terms of Proposition H period.

FIRE DEPARTMENT AWSS SYSTEM

The Fire Department's Auxiliary Water Supply System (AWSS) is functionally independent of the SFPUC's water distribution system. The AWSS storage facilities - Twin Peaks Reservoir, Jones Street Tank and Ashbury Tank - are filled with potable water form the PUC system, however, once the water enters the AWSS system it is no longer potable. There are no other physical connections between the two systems.

The AWSS system was conceived following the 1906 earthquake and fire. The AWSS system is designed to withstand higher water pressures and ground movement than the SFPUC's potable water system. In addition to the system's storage facilities, the AWSS can be supplied with salt water by the Fire Department's two pump stations or by fire boats through manifolds on the water front.

The AWSS system does not cover the entire City. The system coverage is most dense in the area north of Mission Street and east of Van Ness Avenue. Where it is available, however, it is routinely used by the SFFD in lieu of, or as a complement to, the water supply available through the SFPUC's distribution system. The AWSS's larger diameter lines and higher pressures make it a more effective fire fighting tool.

The vast majority of the work proposed in the CIP is in the regional water system, local storage, and local transmission systems. Transmission lines convey water to and between storage facilities, and distribution lines convey water to customers. The Fire Department's low pressure hydrants are connected to the SFPUC's distribution lines.

In summary,, the proposed CIP, because of it emphasis on regional water supply and transmission, will not significantly effect, either positively or negatively, the performance or reliability of the Fire Department's AWSS. Nor will the CIP include improvements to the local water distribution system such that it would improve the reliability or performance of the AWSS.

If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 3, 2002

TO: Board of Supervisors' Budget Analyst

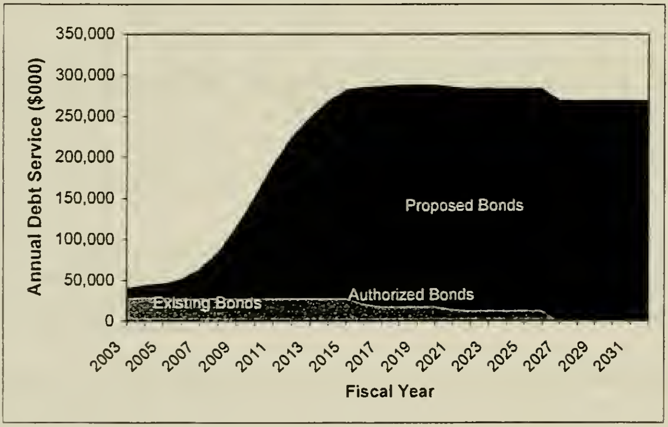
CC: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: **Water Bond Measure (File 02-0910)**

The following illustrates the projected debt service relating to the Water Enterprise if the entire amount of proposed bonds are issued. Attached are the numerical data that supports this table.

Projected Water Debt Service



If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

07/02/2002 5:37:00 PM – M_3 BOS Budget Analyst Rev Bonds

SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
Case 3 - FY 2003 Phase C Budget, Additional R&R FY 05, CIP Funded w/Additional Bonds & Rate Increases

Description	FY 2002 (estimate)	FY 2003 (budget)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Fund Balance--July 1	175,581,704	51,629,730	35,717,901	38,245,466	35,658,639	42,768,262	52,361,647	66,232,026	93,355,146	64,377,914	95,035,097	66,246,467	70,762,730	75,998,917
Revenue														
Retail Water Sales--existing rates	98,009,132	79,979,375	77,381,257	77,746,663	79,136,664	76,527,466	70,920,125	79,314,726	76,711,286	80,109,656	80,610,405	80,912,657	91,317,522	81,724,106
Retail Water Sales -rate increases			9,509,736	16,045,325	27,792,769	39,544,611	44,620,101	62,292,977	90,406,067	74,662,754	96,933,929	109,249,746	126,004,030	149,908,142
Wholesale Water Sales Revenue	77,039,000	73,779,000	94,427,479	106,165,217	106,056,147	107,716,669	109,067,072	122,734,671	144,723,746	170,436,256	166,706,375	224,764,932	243,676,147	250,004,116
Interest Income on Fund Balances	9,401,225	3,999,014	3,380,222	3,551,226	3,605,217	4,314,643	4,749,281	6,220,640	6,662,062	6,192,773	9,759,990	7,370,799	7,909,110	6,570,630
Other Miscellaneous Income	15,974,032	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Total Revenue	171,220,396	170,254,389	195,176,900	211,009,834	227,260,956	240,605,630	246,656,556	271,062,913	302,117,976	343,121,641	386,322,690	433,795,123	473,260,616	501,986,910
Operation and Maintenance Expenses														
Labor and Fringe Benefits	36,600,000	41,504,605	42,749,743	44,032,235	45,353,203	49,713,769	46,116,213	46,656,969	61,045,429	62,676,792	64,154,090	65,770,716	67,452,000	69,175,642
COWCAP	998,000	1,446,270	1,461,716	1,539,470	1,582,064	1,930,641	1,976,942	1,729,310	1,791,166	1,834,926	1,069,664	1,949,354	2,004,744	2,064,667
Non Personal Services	3,848,000	6,382,265	6,573,733	6,770,945	6,674,073	7,193,295	7,366,794	7,620,706	7,846,361	6,084,682	9,327,408	8,577,230	9,934,547	6,069,584
Materials and Supplies	5,630,000	6,055,069	6,236,659	6,463,756	6,736,272	6,000,420	9,270,433	9,546,549	9,835,062	10,130,052	10,433,954	10,746,672	11,069,361	11,401,403
Equipment	2,600,000	2,443,435	2,619,736	2,562,240	2,070,067	2,760,109	2,932,611	2,917,589	3,005,117	3,095,270	3,196,129	3,293,772	3,302,265	3,483,754
Light, Heat and Power	5,917,749	6,646,067	6,743,067	9,945,359	7,163,720	7,396,331	7,666,391	7,917,063	9,051,676	9,293,122	9,541,619	6,799,173	9,062,119	9,333,662
Services of SFPUC Bureaus	36,798,310	33,906,615	34,667,962	36,037,622	37,116,761	38,232,313	36,376,262	40,060,991	41,777,461	43,030,005	44,321,729	46,651,361	47,020,923	46,431,550
Services of Other Departments	7,090,635	7,542,671	7,796,646	9,061,914	9,241,971	9,469,230	6,743,967	9,006,224	9,279,411	9,554,703	9,841,344	10,136,685	10,440,962	10,763,963
Hetch Hetchy Assessment	19,037,000	16,037,000	16,606,110	20,190,353	20,002,244	21,429,311	22,066,101	22,731,174	23,413,109	24,116,602	24,636,907	25,584,139	20,351,990	27,142,210
Incremental O&M--CIP	-	-	-	-	-	1,624,920	2,330,141	4,667,109	10,939,729	12,230,066	12,597,565	12,975,613	13,364,776	13,795,721
Budget Close Outs	-	(1,056,617)	(1,110,665)	(1,144,005)	(1,176,326)	(1,213,976)	(1,250,066)	(1,287,069)	(1,329,219)	(1,366,062)	(1,406,992)	(1,449,162)	(1,492,069)	(1,537,446)
Total Operation and Maintenance Expense	122,179,923	123,866,620	126,565,914	133,452,662	137,456,476	143,504,793	149,167,719	155,196,614	166,646,205	171,660,367	176,727,609	192,029,643	197,490,632	163,115,246
Net Revenue	46,040,466	46,384,569	95,912,792	77,556,942	66,604,477	97,106,737	101,466,640	115,663,269	139,469,470	171,641,245	211,594,797	251,795,460	295,776,266	306,651,661
Debt Service														
Debt Service - Existing Bonds	29,664,434	26,361,663	30,906,613	30,076,758	29,366,430	29,396,146	29,399,259	29,365,303	29,358,206	29,322,050	26,307,500	29,293,967	29,297,000	29,309,707
Debt Service - Authorized Bonds	-	10,152,642	11,264,064	11,264,064	11,264,064	11,264,064	11,264,064	11,264,064	11,264,064	11,264,064	11,264,064	11,264,064	11,264,064	11,264,064
Debt Service - Proposed Bonds	-	-	646,392	3,769,995	6,997,969	21,679,239	42,732,776	73,350,131	109,864,231	146,403,217	182,825,805	206,904,969	227,021,931	240,958,961
Capitalized Interest Fund Cash Flow - Proposed Bonds	-	-	(766,313)	(3,621,606)	(7,995,954)	(16,794,761)	(29,390,932)	(43,265,406)	(54,203,277)	(58,277,135)	(62,219,621)	(39,672,660)	(29,061,411)	(21,042,265)
Reserve Fund Cash Flow - Proposed Bonds	-	-	(60,076)	(286,386)	(669,460)	(1,472,124)	(2,633,903)	(4,770,956)	(9,904,503)	(9,212,333)	(10,914,196)	(12,067,217)	(12,629,576)	(13,910,976)
Net Debt Service	26,664,434	36,513,704	42,084,600	41,356,642	41,990,766	46,261,662	62,196,664	66,963,214	96,326,735	122,676,664	160,254,403	166,062,373	226,922,626	240,600,672
Net Revenue After Debt Service	20,379,032	9,670,666	23,527,605	36,197,106	46,107,709	51,609,146	46,312,967	49,900,065	47,142,736	46,001,391	91,340,364	62,903,107	67,155,657	91,051,669
Revenue Funded Capital Projects														
Repair & Replacement Projects	144,031,000	23,080,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Additional Repair & Replacement Projects		-	-	19,763,706	20,677,293	22,206,660	23,472,776	24,776,901	26,120,270	27,503,679	29,926,994	30,390,664	31,906,770	33,466,033
CIP Pay as You Go	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue Funded Capital Projects	144,031,000	23,080,000	20,000,000	38,763,750	40,677,293	42,206,580	43,472,776	44,779,661	49,120,270	47,503,076	48,626,664	50,390,064	51,906,770	63,466,033
Ending Fund Balance--June 30	61,020,736	35,717,601	39,245,466	35,656,639	42,769,262	52,301,647	66,232,025	93,355,146	64,377,914	65,935,097	96,249,467	70,752,730	75,999,617	84,185,573
Financial Performance Measurements														
Debt Service Coverage- Revenue Bonds- Indenture	7.939	2.469	2.409	2.624	3.009	3.069	2.940	2.939	2.237	1.925	1.731	1.000	1.556	1.556
Debt Service Coverage- Revenue Bonds - Current Basis	1.711	1.174	1.559	1.676	2.164	2.144	1.946	1.758	1.629	1.396	1.320	1.269	1.250	1.250
O&M Reserve - Beginning Fund Balance/O&M Budget	1.437	0.416	0.276	0.284	0.259	0.302	0.356	0.366	0.410	0.464	0.401	0.404	0.406	0.424
Rolling Debt Service Coverage or (Deficit)	161,925,616	39,040,746	36,203,039	64,762,965	62,919,160	71,952,631	76,611,661	76,150,503	95,834,619	62,049,033	37,046,206	21,716,406	13,667,073	14,201,771
Operations & Maintenance Reserve Surplus (Deficit)	145,036,723	20,959,261	3,326,122	6,982,263	1,264,717	7,364,239	15,934,052	20,991,424	24,976,030	24,540,191	24,062,641	25,962,954	27,221,291	31,162,235
REVENUE ASSUMPTIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual Rate Adjustments from Solutions Sheet														
Effective Month (Fiscal Year)	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Average Monthly Retail Water Bill	$13.26	$14.42	$19.06	$17.77	$19.54	$21.06	$22.67	$23.93	$26.39	$27.06	$30.96	$33.66	$37.29	$40.65
Compounded Annual Growth Rate in Avg Bill		9.90%	9.79%	10.16%	10.16%	10.12%	9.26%	9.79%	9.43%	6.90%	9.74%	6.66%	6.69%	6.03%
Projected Suburban Water Sales (Ccf)	96,161,000	97,043,000	67,913,000	66,792,000	99,906,000	90,677,000	91,463,000	92,366,000	93,322,000	94,255,000	95,196,000	96,106,000	97,112,000	99,063,000
Annual Percentage Increase			16.64%	6.20%	4.99%	0.60%	1.03%	10.96%	17.14%	16.93%	16.99%	12.17%	7.40%	1.96%
Cumulative Percentage Increase			16.06%	26.39%	31.75%	32.67%	33.96%	46.61%	74.71%	104.96%	137.19%	166.30%	166.17%	191.06%
Unit Cost Net of Service Charge ($/Ccf)	$0.06	$0.66	$1.64	$1.10	$1.16	$1.16	$1.17	$1.30	$1.52	$1.76	$2.06	$2.31	$2.46	$2.52
Compounded Annual Growth Rate in Unit Cost		0.00%	6.92%	7.67%	9.99%	6.69%	4.66%	6.73%	7.06%	6.14%	9.69%	9.17%	9.02%	6.44%

SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
Case 3 - FY 2003 Phase C Budget, Additional R&R FY 05, CIP Funded w/Additional Bonds & Rate Increases

Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Beginning Fund Balance--July 1	84,185,573	108,927,353	132,627,546	149,769,629	159,347,216	166,208,200	172,905,171	177,429,909	191,073,994
Revenue									
Retail Water Sales--existing rates	92,132,730	92,543,394	62,956,111	63,370,991	63,767,746	64,206,684	64,927,716	65,050,956	65,476,111
Retail Water Sales--rate increases	192,191,679	175,279,939	163,929,712	190,213,795	196,883,866	203,264,293	210,079,273	220,015,065	227,246,966
Wholesale Water Sales Revenue	269,353,236	269,907,159	206,764,068	264,043,609	291,399,379	259,821,146	250,344,746	253,962,119	251,679,286
Interest Income on Fund Balances	9,649,062	10,865,358	11,910,670	12,442,165	12,674,066	13,221,626	13,616,946	13,708,456	13,920,270
Other Miscellaneous Income	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Total Revenue	534,825,727	549,795,649	556,980,591	561,670,450	569,214,091	571,033,739	676,070,664	684,314,615	589,619,652
Operation and Maintenance Expenses									
Labor and Fringe Benefits	80,950,912	02,779,439	84,962,922	69,602,707	69,900,799	70,656,912	72,779,676	74,961,933	77,210,791
COWCAP	2,129,933	2,190,936	2,256,357	2,324,046	2,393,770	2,465,563	2,639,550	2,616,737	2,694,209
Non-Personal Services	9,372,571	9,653,749	9,943,391	10,241,692	10,546,912	10,865,379	11,191,340	11,627,001	11,672,993
Materials and Supplies	11,743,507	12,095,612	12,459,986	12,632,447	13,217,420	13,913,943	14,022,361	14,443,032	14,676,323
Equipment	3,596,267	3,995,915	3,906,792	3,920,996	4,036,626	4,159,765	4,264,679	4,413,116	4,549,609
Light, Heat, and Power	9,614,001	9,902,421	10,199,494	10,905,479	10,820,643	11,145,262	11,479,920	11,624,009	12,179,729
Services of SFPUC Bureaus	49,664,497	61,391,032	62,922,493	54,510,137	56,145,441	67,629,804	99,564,999	61,351,639	63,192,106
Services of Other Departments	11,076,620	11,408,615	11,751,060	12,103,612	12,469,721	12,640,722	13,226,944	13,922,722	14,031,404
Hetch Hetchy Assessment	27,956,479	29,795,171	29,659,026	30,649,796	31,495,290	32,409,216	33,361,495	34,392,940	36,414,426
Incremental O&M--CIP	14,178,993	14,604,054	15,042,176	15,493,441	16,956,244	16,439,991	16,930,101	17,439,004	17,961,144
Budget Close Outs	(1,693,571)	(1,631,076)	(1,990,011)	(1,730,411)	(1,762,323)	(1,635,793)	(1,990,867)	(1,947,693)	(2,006,020)
Total Operation and Maintenance Expense	198,908,700	204,676,967	211,022,246	217,362,913	223,973,561	230,569,706	237,507,397	244,932,919	261,971,697
Net Revenue	335,917,021	344,919,692	345,958,335	344,217,537	342,340,990	340,444,033	339,503,267	339,991,696	337,649,054
Debt Service									
Debt Service--Existing Bonds	22,087,533	19,353,917	19,479,167	19,411,887	19,398,933	16,939,833	14,233,093	14,259,760	14,208,563
Debt Service- Authorized Bonds	11,264,084	11,264,084	11,264,084	11,264,084	11,264,084	11,264,084	11,264,084	11,264,084	11,264,084
Debt Service--Proposed Bonds	250,271,079	254,799,577	256,390,275	256,994,080	256,994,056	256,994,080	256,994,056	256,994,080	256,694,090
Capitalized Interest Fund Cash Flow- Proposed Bonds	(14,112,371)	(9,600,631)	(1,929,075)	-	-	-	-	-	-
Reserve Fund Cash Flow--Proposed Bonds	(14,005,097)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)
Net Debt Service	256,105,229	264,497,672	271,395,276	273,490,656	273,417,623	269,985,623	269,292,073	296,308,739	299,335,973
Net Revenue After Debt Service	79,611,794	80,422,311	74,503,059	70,756,881	98,922,799	70,456,211	70,291,214	71,373,167	69,912,492
Revenue Funded Capital Projects									
Repair & Replacement Projects	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Additional Repair & Replacement Projects	35,070,014	36,722,119	39,423,776	40,176,491	41,981,706	43,641,240	45,756,477	47,729,171	49,761,046
CIP Pay as You Go	-	-	-	-	-	-	-	-	-
Total Revenue Funded Capital Projects	55,070,014	56,722,116	56,423,776	90,176,491	61,991,766	63,641,240	65,756,477	67,729,171	69,761,046
Ending Fund Balance--June 30	106,927,353	132,027,546	149,766,929	159,347,219	199,269,200	172,905,171	177,429,908	191,073,994	190,925,330
Financial Performance Measurements									
Debt Service Coverage--Revenue Bonds--Indenture	1.640	1.719	1.763	1.903	1.935	1.677	1.906	1.927	1.934
Debt Service Coverage--Revenue Bonds--Current Basis	1.312	1.304	1.275	1.259	1.262	1.261	1.262	1.266	1.269
O&M Reserve--Beginning Fund Balance/O&M Budget	0.456	0.672	0.677	0.737	0.766	0.779	0.764	0.761	0.774
Rolling Debt Service Coverage or (Deficit)	35,944,763	57,100,977	71,492,969	82,793,392	91,561,075	101,763,499	109,046,349	114,649,696	116,419,590
Operations & Maintenance Reserve Surplus (Deficit)	36,003,070	61,359,374	63,632,531	99,301,961	107,369,404	112,756,021	117,790,647	120,931,255	122,671,261
REVENUE ASSUMPTIONS	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Rate Adjustments from Solutions Sheet									
Effective Month (Fiscal Year)	1	1	1	1	1	1	1	1	1
Average Monthly Retail Water Bill	$42.99	$45.04	$46.39	$47.32	$46.26	$49.23	$50.21	$51.72	$62.76
Compounded Annual Growth Rate in Avg Bill	6.74%	9.46%	6.13%	7.76%	7.43%	7.14%	9.88%	6.69%	6.47%
Projected Suburban Water Sales (Ccf)	99,084,000	100,055,000	101,056,000	102,067,000	103,099,000	104,119,000	105,160,000	108,212,000	107,274,000
Annual Percentage Increase	6.73%	-0.90%	-2.04%	-2.02%	-2.00%	-1.97%	-1.96%	-1.92%	-1.99%
Cumulative Percentage Increase	210.74%	207.93%	201.91%	195.46%	199.93%	193.77%	179.20%	172.62%	167.62%
Unit Cost Net of Service Charge ($/Ccf)	$2.69	$2.97	$2.61	$2.56	$2.61	$2.46	$2.41	$2.37	$2.32
Compounded Annual Growth Rate in Unit Cost	9.32%	7.99%	7.04%	6.49%	6.00%	5.56%	6.17%	4.92%	4.51%

Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Beginning Fund Balance--July 1	156,825,330	179,626,099	171,341,643	199,761,075	164,099,902	154,093,497	139,908,727	120,443,755
Revenue								
Retail Water Sales--existing rates	65,903,491	66,333,009	66,764,674	67,196,497	97,934,490	96,072,662	69,513,025	96,955,590
Retail Water Sales--rate increases	234,666,955	245,567,559	246,736,097	254,672,119	262,617,079	271,175,240	279,751,999	299,552,986
Wholesale Water Sales Revenue	249,490,364	247,407,649	246,431,422	243,565,164	241,612,443	240,176,952	239,992,506	237,273,046
Interest Income on Fund Balances	13,882,552	13,774,930	13,622,976	13,634,963	13,264,967	12,904,969	12,147,057	11,292,914
Other Miscellaneous Income	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Total Revenue	695,445,392	904,523,149	604,054,199	610,470,741	617,026,697	623,729,622	630,574,597	937,564,139
Operation and Maintenance Expenses								
Labor and Fringe Benefits	79,627,116	81,912,929	84,370,316	06,901,429	99,506,469	92,193,723	94,959,634	97,808,320
COWCAP	2,776,035	2,858,208	2,944,035	3,032,356	3,123,326	3,217,029	3,313,937	3,412,943
Non-Personal Services	12,229,060	12,595,952	12,973,931	13,363,046	13,793,937	14,176,855	14,602,191	15,040,226
Materials and Supplies	19,322,913	19,792,291	16,255,790	19,743,432	17,246,735	17,763,107	16,296,001	19,844,991
Equipment	4,991,674	4,922,330	4,967,000	6,116,010	9,269,491	6,427,575	6,690,403	5,799,115
Light, Heat, and Power	12,644,091	12,920,414	13,306,026	13,707,267	14,119,465	14,542,039	14,979,301	15,427,650
Services of SFPUC Bureaus	66,067,954	97,040,992	99,051,910	71,123,365	73,257,065	75,454,777	77,719,421	60,049,973
Services of Other Departments	14,452,346	14,885,916	16,332,494	16,792,469	16,206,243	16,754,230	17,256,657	17,774,503
Hetch Hetchy Assessment	39,479,661	37,671,109	36,996,301	39,959,256	41,055,026	42,286,679	43,955,279	44,881,939
Incremental O&M--CIP	19,499,979	19,054,976	19,929,927	20,219,426	20,621,069	21,449,645	22,009,942	22,752,640
Budget Close Outs	(2,066,201)	(2,129,197)	(2,192,033)	(2,257,794)	(2,325,629)	(2,395,293)	(2,467,152)	(2,641,197)
Total Operation and Maintenance Expense	269,630,746	267,316,699	276,339,169	283,696,253	292,104,140	300,067,295	309,693,292	319,190,001
Net Revenue	339,914,936	337,206,476	329,716,000	326,974,468	324,924,757	322,662,557	320,961,305	319,374,057
Debt Service								
Debt Service--Existing Bonds	14,309,000	14,334,256	-	-	-	-	-	-
Debt Service- Authorized Bonds	11,204,084	11,264,084	11,264,084	11,264,084	11,264,084	11,264,084	11,264,084	11,264,061
Debt Service--Proposed Bonds	256,994,080	256,994,080	256,994,080	256,994,000	250,694,080	256,904,080	250,904,080	250,094,090
Capitalized Interest Fund Cash Flow- Proposed Bonds	-	-	-	-	-	-	-	-
Reserve Fund Cash Flow--Proposed Bonds	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)	(14,129,174)
Net Debt Service	299,357,999	266,383,239	254,049,999	254,049,999	254,046,999	254,046,999	254,046,999	254,049,969
Net Revenue After Debt Service	97,556,647	69,623,239	74,069,011	72,625,499	70,675,767	66,913,569	99,632,315	64,325,069
Revenue Funded Capital Projects								
Repair & Replacement Projects	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Additional Repair & Replacement Projects	61,853,676	54,009,494	56,229,779	56,516,672	90,672,173	63,296,336	95,797,206	69,371,206
CIP Pay as You Go	-	-	-	-	-	-	-	-
Total Revenue Funded Capital Projects	71,853,679	74,009,494	76,229,779	76,516,672	80,672,173	63,296,339	65,797,206	08,371,206
Ending Fund Balance--June 30	176,629,099	171,341,043	199,761,075	164,099,902	154,093,497	139,609,727	120,443,755	96,397,917
Financial Performance Measurements								
Debt Service Coverage--Revenue Bonds--Indenture	1.926	1.914	1.969	1.955	1.925	1.977	1.912	1.727
Debt Service Coverage--Revenue Bonds--Current Basis	1.252	1.256	1.294	1.297	1.279	1.271	1.262	1.253
O&M Reserve--Beginning Fund Balance/O&M Budget	0.760	0.711	0.670	0.645	0.905	0.651	0.485	0.406
Rolling Debt Service Coverage or (Deficit)	114,202,962	111,199,719	119,906,390	115,592,066	107,941,175	95,062,571	79,216,549	57,744,326
Operations & Maintenance Reserve Surplus (Deficit)	120,567,639	114,492,679	107,414,456	103,935,069	96,299,339	64,239,317	67,957,692	46,334,395
REVENUE ASSUMPTIONS	2025	2026	2027	2028	2029	2030	2031	2032
Annual Rate Adjustments from Solutions Sheet								
Effective Month (Fiscal Year)	1	1	1	1	1	1	1	1
Average Monthly Retail Water Bill	$63.91	$55.42	$95.42	$56.53	$57.86	$56.61	$59.99	$91.19
Compounded Annual Growth Rate in Avg Bill	9.27%	6.13%	6.96%	6.73%	6.59%	9.46%	5.34%	6.23%
Projected Suburban Water Sales (Ccf)	100,347,000	109,430,000	110,624,000	111,929,000	112,745,000	113,972,000	115,011,000	116,150,000
Annual Percentage Increase	-1.86%	-1.93%	-1.79%	-1.75%	-1.71%	-1.67%	-1.62%	-1.56%
Cumulative Percentage Increase	192.60%	167.76%	163.11%	149.64%	144.34%	140.23%	136.30%	132.57%
Unit Cost Net of Service Charge ($/Ccf)	$2.26	$2.24	$2.20	$2.16	$2.12	$2.09	$2.05	$2.02
Compounded Annual Growth Rate in Unit Cost	4.22%	3.96%	3.73%	3.61%	3.31%	3.13%	2.96%	2.91%

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 3, 2002

TO: Board of Supervisors' Budget Analyst

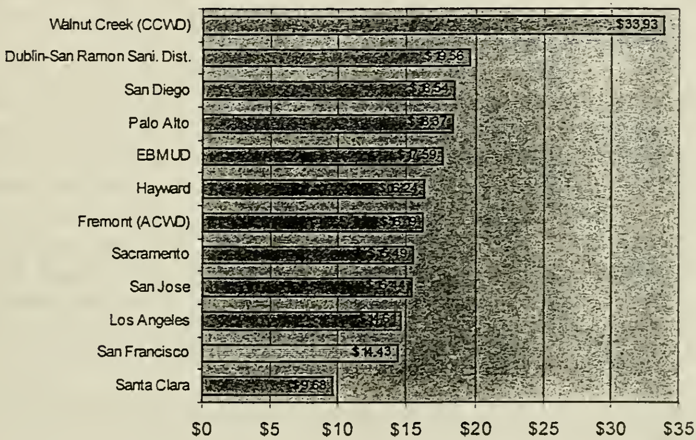
cc: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: **Water Bond Measure (File 02-0910)**

The following table compares the current monthly water bills of San Francisco to other California water utilities.

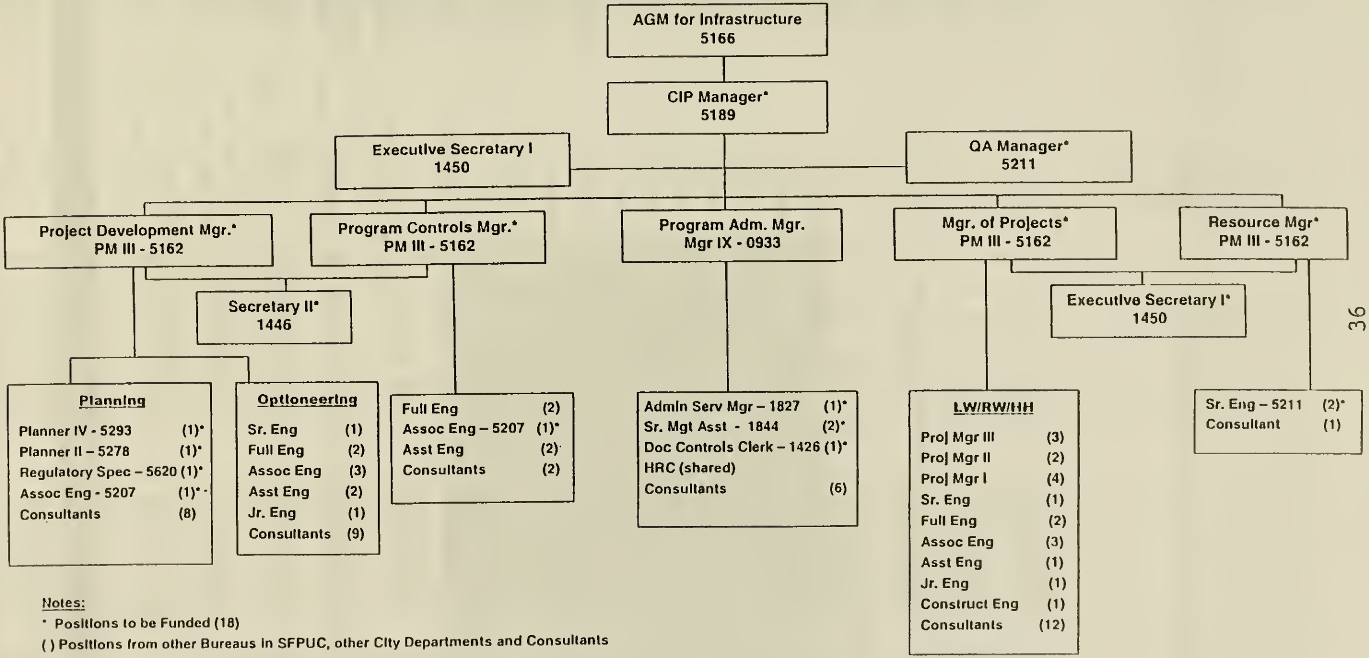
Comparison of Monthly Water Bills*



Comparisons among utility rates are difficult, as some systems are subsidized by other tax receipts.

If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

PROPOSED CIP STAFFING PLAN
July 1, 2002 – June 30, 2003



Notes:
- * Positions to be Funded (18)
- ( ) Positions from other Bureaus in SFPUC, other City Departments and Consultants

FISCAL YEAR 2002/2003 CIP PROGRAM OBJECTIVES

The CIP will achieve the following objectives in Fiscal Year 02/03:

Program Planning:

- **Complete Phase I of the Facilities Implementation Plan** – model various alternative designs to determine constructability and related costs
- **Initiate CIP Environmental Review Process** – begin programmatic and project level EIR documentation to facilitate timely project implementation
- **Establish Prioritization Procedures** – implement annually to reflect current needs and changes in scope
- **Identify and Prioritize Critical CIP Projects** – facilitate the most critical projects moving ahead on a critical timeline
- **Develop Project Specific Request for Proposals (RFPs) for years 1 & 2** – procure specialty planning, design and construction management professional services
- **Establish CIP Performance Measurements** – measure program performance based upon budget, schedule, and operability

Develop Internal Procedures:

- **Create an Enterprise Work Breakdown Structure (WBS)** – Program Manager will control project scope, schedule, and budget through Project Controls using a WBS to capture and report project information, and provide current information to stakeholders
- **Develop Procedures for Updating the Annual CIP Budget** – develop process to provide current budget and schedule information to the SFPUC, the Board of Supervisors and the Stakeholders
- **Develop Change Order Control/Approval Process** – manage contracts and track budget more effectively on a real time basis
- **Develop Construction Management Procedures** – standardize documentation and control practices for project managers to more effectively manage projects during construction
- **Review Skills Inventory and Develop Staff Training Plan** – based upon the assessment of skills and CIP requirements, utilize staff from SFPUC, DPW, and other City Departments in the fields of engineering, project controls, project management and construction management, and provide training as appropriate

Develop and Implement Information Systems:

- **Select Project Control System** – track scope of work, budget expenditures, schedules and resource needs to provide a comprehensive, accurate, and timely program report to accommodate an enlarged database
- **Procure Project Control System** – acquire software license agreement and training
- **Develop Project Control System Implementation Plan** – develop a phased installation plan, to be implemented by the CIP staff, beginning with a pilot project to test and refine the Project Control System
- **Procure Electronic Timecard System** – this new system will replace the daily, manual timecards of engineering staff, by tracking project phases and engineering disciplines, to ensure more detailed, and timely reporting of labor costs

Item 6 - File 02-1070

Department: Department of Human Resources (DHR)

Item: Ordinance adopting and implementing Amendment No. 1 to the two-year Memorandum of Understanding from July 1, 2001 through June 30, 2003 between the Teamsters, Local No. 853 and the City and County of San Francisco by adding a new section to Article III.F. Additional Compensation which provides for the pass-through of State of California funds to certain represented classes working at Skilled Nursing Facilities.

Description: The proposed ordinance would amend the existing Memorandum of Understanding (MOU) between the Teamsters, Local No. 853 and the City and County of San Francisco to implement provisions of the California Welfare and Institutions Code Section 14110.6. The existing MOU, for the period from July 1, 2001 through June 30, 2003 was approved by the Board of Supervisors on May 18, 2001. Under the California Welfare and Institutions Code Section 14110.6, the State provides additional revenues, or State pass-through funds, to the Counties to compensate health care and other employees who are assigned to skilled nursing facilities. Employees who receive the Skilled Nursing Facility (SNF) Wage pass-through premium must provide direct patient care to MediCal patients or perform maintenance work in a Skilled Nursing Facility that receives MediCal reimbursement. Employees eligible to receive the Skilled Nursing Facility pass-through premium include employees working in the Mental Health Rehabilitation Facility (MHRF) and Skilled Nursing Facility (SNF) at San Francisco General Hospital, and in the SNF at Laguna Honda Hospital (LHH).

According to Ms. Alice Villagomez of DHR, previously, Class 7355 Truck Drivers working at LHH had not been considered eligible for the State pass-through premium funds. The State of California has since clarified that truck drivers are eligible for the State pass-through funds. The subject Amendment No. 1 to the MOU, as previously approved by the Board of Supervisors, would

authorize the applicable State pass-through premium pay for eligible Class 7355 Truck Drivers.

In accordance with State law, the Skilled Nursing Facility State Pass-Through premium is to be paid retroactively to eligible employees working at the Laguna Honda skilled nursing facility between August 1, 2000 and July 31, 2002. For FY 2002-2003, the State pass-through premium would begin August 1, 2002. These State pass-through premiums are a portion of the MediCal reimbursement to the Counties for providing services in skilled nursing facilities.

Comments:

1. Under the proposed MOU amendment, the total aggregate cost of such premiums and related expenses for the Truck Driver classification and all other classifications eligible for State of California Skilled Nursing Facility pass-through funds cannot exceed the amount of eligible State pass-through funding for such compensation and related costs. The eligible classifications covered by the Skilled Nursing Facility pass-through, other than Truck Drivers, have already been included in the provisions for the pass-through funding in their respective MOUs as previously approved by the Board of Supervisors.

2. Total expenditures of State pass-through funds for all covered classifications are authorized up to $4,000,000 in FY 2002-2003, but payments are limited to the actual reimbursements received from the State. According to the Controller's office, the State reimbursement for FY 2002-2003 is estimated at $3,200,000 for all covered classifications.

3. Ms. Villagomez states that for the period covering August 1, 2000 through July 31, 2001, the three eligible Class 7355 Truck Drivers at the Laguna Honda Skilled Nursing Facility would receive $2,997.70 each. For the period covering August 1, 2001 through the date of final approval by the Board of Supervisors of this proposed ordinance, the Class 7355 Truck Drivers would receive $1.25 for each hour worked. Ms. Villagomez further explains that after final approval by the Board of

Supervisors of the proposed ordinance, the Class 7355 Truck Drivers would begin receiving premium pay at $1.55 per hour for work related to the Laguna Honda Skilled Nursing Facility.

4. According to Ms. Villagomez, approximately 1,000 City employees are eligible to receive the Skilled Nursing Facility State pass-through premium pay. Ms. Villagomez states that in accordance with MOUs previously approved by the Board of Supervisors, the covered classifications for this premium include Registered Nurses, Licensed Vocational Nurses, Certified Nursing Assistants, Mental Health Rehabilitation Workers, Psychiatric Technicians, Carpenters, Laborers, Painters, Electricians, Stationary Engineers, Plumbers and Truck Drivers.

5. As stated in the Attachment provided by the Controller's Office, the proposed ordinance would have no fiscal impact on the City's General Fund, since all of the costs for the proposed Skilled Nursing Facility premium pass-through would be paid for by the State.

Recommendation: Approve the proposed ordinance.

Edward Harringto
Controlle

July 1, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 021070
Amendment No. 1 to the 2001-2003 Memoranda of Understanding (MOU) between the City and County of San Francisco and Teamsters, Local 853

Dear Ms. Young:

~~In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the~~ 2001 – 2003 MOU between the City and County of San Francisco and Teamsters, Local 853. Amendment No. 1 covers the period of the current MOU, July 1, 2001 through June 30, 2003. The amendment adds a new section to Article III.F. Additional Compensation, which provides for the pass-through of State of California funds to certain represented classes working at Skilled Nursing Facilities. The effective date of this amendment is the date of final approval by the Board of Supervisors.

Pursuant to the provisions of Welfare and Institutions Code Section 14110.6, the amendment addresses a state program which provides for a premium to be paid to eligible employees providing services in skilled nursing facilities such as Laguna Honda Hospital. The number and classifications of employees who would receive compensation under this program has not yet been determined.

The state budget for FY 2002-2003 includes approximately $3.2 million in funding under this program for San Francisco. These funds will be used exclusively to provide additional compensation for employees working in skilled nursing facilities in the form of premium pay. There is no impact on the General Fund as all of the monies for this compensation program are provided form the State of California.

If you have any additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Pamela Levin for

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

Item 7 – File 02-0726

Department: District Attorney

Item: Resolution approving increase in authorized fees for the First Offender Prostitution Program of up to $1,000

Description: The proposed resolution would increase annual fees by an estimated $162,600 from $318,000 to $480,600. In chargeable prostitution cases where the defendant is a first offender with no record of violence, the District Attorney offers the defendant the opportunity to participate in a one day educational diversion program in lieu of prosecution. Fees have been set at $500 since 1995, but do not cover the full cost of the program. The District Attorney proposes a sliding scale fee system that will recover more, but not all, of total program costs in FY 2002-03. The First Offender Prostitution Program has served an average of 660 defendants per year over the last five years.

Fee Change Details:

1.	Existing fee	$500
2.	Proposed fee (sliding scale)	$756 average (range of $100 - $1,000 on a sliding scale)
3.	Dollar and percentage increase between 1 and 2	$51.2% for average fee
4.	Last time fee was changed	1995
5.	Estimated annual costs to provide services (as calculated by the Controller's Office)	$624,931
6.	Existing annual fee revenue (as certified by Controller's Office)	$318,000
7.	Proposed annual fee revenue (as certified by the Controller's Office)	$480,600
8.	Revenue shortfall (difference between line 5 and line 7)	$144,331
9.	Percentage revenue recovery rate from proposed average fee (line 7 divided by line 5)	76.9%
10.	Required average fee for 100 percent cost recovery	$983
11.	CPI adjusted in the future?	Not automatically

Comments:

1. The First Offender Prostitution Program is currently recovering approximately half of its costs through fees paid by participants. The District Attorney has recommended increasing the participant fee to a level that would allow a recovery rate of approximately 76.9 percent, with the remainder absorbed by the District Attorney, the Police Department and Sage, the non-profit organization that conducts the classes. The District Attorney has recommended a sliding scale for this fee so that participants would pay one of the four following fees depending on their income, as follows:

Fee	% Cost Recovery	Participant's Income Range
$1,000	100%	$30,000+
$500	50%	$16,000 – 29,999
$250	25%	$9,000 – 15,999
$100	10%	$0 – 8,999

2. If the new fees are adopted, the rate of cost recovery for the program will increase from approximately 50.9 percent of total program costs of $624,931 to approximately 76.9 percent of these costs. Full recovery is not expected because approximately 40 percent of program participants will pay less than the full $1,000 fee under the proposed variable, or sliding scale, fee structure. The District Attorney's proposed fee schedule is based on participant ability to pay. Based on anonymous surveys of past participants, the District Attorney's Office estimates that approximately 60 percent of program participants will pay the full $1,000 fee. The rest will pay one of three lower fees based on their income. The fiscal impact of the variable fee structure will be approximately $144,331 less in collections than estimated total program costs. The District Attorney's estimate of participants and fees that will be charged under the proposed new fee structure are as follows:

Fee	# Annual Participants	% Total	Revenue
$1,000	382	60.1%	$382,000
500	159	25.0%	79,500
250	64	10.1%	16,000
100	31	4.9%	3,100
	636	100.0%	$480,600

3. The fee for this program will not be automatically adjusted in the future, according to staff of the District Attorney's Office. Mr. Tim Silard reports that the Administrative Code authorizes the District Attorney to examine the fee annually to ensure that it is sufficient to cover program costs but that annual adjustments based on changes in the cost of living will not be automatically imposed and such future increases would be subject to Board of Supervisors approval.

4. Mr. Daley Dunham of the District Attorney's Office reports that the Police Department's estimated direct costs for this program of $185,621 out of total program costs of $624,931 were developed by District Attorney staff over a year ago by the District Attorney's office and do not include adjustments for any cost increases that may have occurred in the Police Department since the estimates were prepared.

5. Full cost recovery for this program would require an average fee of approximately $983 rather than the proposed $756 average fee. To achieve this average, all fees on the sliding scale would have to be increased or additional higher fees would have to be added for certain income groups to raise the overall average.

Recommendation: Since the FY 2002-2003 District Attorney's budget was balanced on the basis of the proposed fee and since future fee increases will be subject to Board of Supervisors approval, approve the proposed resolution.

Item 8 – File 02-1130

Department: Airport Commission

Item: Resolution approving and authorizing the execution of a new Lease with the U.S. Customs Service for space in West Field Cargo Building I.

Purposes of Lease: The proposed lease provides for the U.S. Customs Service to occupy office and parking space in and near the Airport's West Field Cargo Building I, located in the West Field Area of the Airport on West Field Road.

Lessor: City and County of San Francisco, acting by and through its Airport Commission

Lessee: U.S. Customs Service

Number of Sq. Ft.: Approximately 16,600 square feet, not including approximately 15,300 square feet for 100 parking spaces.

Amount Payable to Airport: $940,150 annually, or approximately $56.64 per square feet per year or $4.72 per square feet per month. The rent also includes 100 parking spaces, ten of which are located outside the facility and 90 of which are located across the street at the Westfield Parking Garage. As detailed in the attached memorandum (Attachment I), provided by Ms. Diane Artz of the Airport, the annual rent of $940,150 would be comprised of four components: Base Rent, Parking, Services and Debt Service. As stated in Attachment I, the proposed lease provides for an annual rent increase in three of the four components, through the end of the lease, as follows: (1) Base Rent would increase annually based on Consumer Price Index adjustments, (2) Parking would increase annually based on the Airport's Rates and Charges schedule, and (3) Services would increase annually based on a review of operating and maintenance costs. The fourth component, Debt Service, would be a fixed cost based on a fifteen-year amortization of tenant improvement costs paid for by the Airport through the sale of Airport Revenue Bonds.

The chart below details the components of the $940,150 in annual rent payments.

Category	Annual Rent Cost	Cost Per Square Ft. Per Year	Annual Increase Method	Purpose
Base Rent	$327,850	$19.75	By CPI adjustments	For core and shell space.
Parking	120,960	7.29	By Rates and Charges Schedule	For 100 parking spaces.
Services	125,005	7.53	By budget revision	For janitorial, utilities and maintenance services.
Debt Service	366,335	22.07	Not adjustable. $3.1 million in tenant improvements amortized at 5.56 percent interest over 15 years.	For tenant improvements.
Total	$940,150	$56.64		

Of the $940,150 in annual rent costs, the U.S. Customs Service will pay $1.00 per year with the remaining balance of $940,149 to be paid by 40 carriers having U.S. Customs cargo transactions. The carriers would be charged by the Airport as explained in Attachment I. A list of the names of the carriers are shown in Attachment II, provided by Ms. Artz.

Term of Lease: Fifteen years with no option to renew, commencing upon completion of the tenant improvements estimated in January of 2003.

Services Including Maintenance and Operations: To be paid by the Lessor but recovered through $125,005, or $7.53 per square foot per year in annual janitorial, utilities and maintenance charges included in the rent cost.

Tenant Improvements: To be paid by the Lessor but recovered through $366,335, or $22.07 per square foot per year in annual debt service charges included in the rent cost.

Description: The proposed resolution would authorize the Airport to execute a new fifteen year lease for approximately 16,600 square feet of office space with the U.S. Customs Service at the West Field Cargo Building I. The Airport constructed the 140,000 square foot West Field Cargo

Building, which is comprised of approximately 57,000 square feet of leasable office space, 15,000 square feet of public space and 68,000 square feet of leasable cargo warehouse space, at a total cost of $19,000,000, to be reimbursed to the Airport through the tenants' annual base rental payments to the Airport. According to Ms. Artz, construction of the West Field Cargo Building's first floor and the warehouse space was completed in 2001. Additional work on the second and third floors is estimated to be completed in July of 2002 as explained in Attachment III, provided by Ms. Artz. Ms. Artz reports that the subject 16,600 square feet of office space to be leased to the U.S. Customs Service would consist of approximately 3,400 square feet on the first floor, 11,000 square feet on the second floor, and 2,200 square feet on the third floor of the West Field Cargo Building. The West Field Cargo Building replaces the former "Airborne Building" that was damaged in the Loma Prieta earthquake and was subsequently demolished in 1989. The West Field Cargo Building, therefore, is not part of the Airport's Master Plan Program and was primarily funded by Federal Emergency Management Agency (FEMA) monies.

The U.S. Customs Service is responsible for the entry and clearance of all international cargo shipments entering the United States at the Airport. According to Ms. Artz, currently, the U.S. Customs Service rents office space at an off-Airport facility located on South San Francisco Boulevard because there had not been sufficient office space within the Airport to meet the needs of all agencies desiring space at the Airport prior to completion of the West Field Cargo Building's second and third floor. As stated in Attachment I, due to stricter Federal facilities requirements, an increase in cargo transactions and growth within the agency, the current off-Airport facility is no longer suitable to the needs of the U.S. Customs Service.

Ms. Artz reports that current tenants of the West Field Cargo Building include China Airlines, Asiana Airlines, and the U.S. Department of Agriculture. China Airlines and Asiana Airlines took occupancy of their respective portions of the Cargo Building in April and May of 2001, respectively, occupying approximately 68,000 square feet,

or 100 percent of warehouse space in the West Field Cargo Building and 10,273 square feet, or about 18 percent of the 57,000 square feet in total leaseable office space in the Cargo Building. According to Ms. Artz, the U.S. Department of Agriculture took occupancy of its respective portion of the Cargo Building in January of 2002, occupying 6,600 square feet of office space, or 11.6 percent of the 57,000 square feet in total leaseable office space. Including the proposed leased space of 16,600 square feet to the U.S. Customs Service, the building will still have 23,527 square feet of vacant office space on the second and third floors, or a 41.3 percent vacancy factor. As stated in Attachment III, the Airport will continue its leasing efforts in order to bring the West Field Cargo Building to full occupancy.

Comments:

1. Ms. Artz reports that under the proposed lease a deposit is waived for the U.S. Customs Service because the Federal Government prohibits the U.S. Customs Service from making deposits for leases.

2. On April 2, 2002, the Airport Commission adopted Resolution No. 02-1130 recommending the award of a lease without undergoing a competitive bidding process, to the proposed lessee, the U.S. Customs Service. Section 2A.173 of the City Administrative Code states "*The Airport Commission shall have power to negotiate and execute leases of airport lands and space in airport buildings, without necessity for competitive bidding, to any person, firm, or corporation engaged in air transportation or a government agency ... provided, that the original term of any such lease shall not exceed 50 years, nor shall any extension of such lease exceed a period of 50 years.*"

3. According to Ms. Artz, the lease with the U.S. Customs Service was recommended without soliciting competitive bids because the U.S. Customs Service is a critical government service, and the Airport has the authority to make such awards pursuant to the Administrative Code as cited in Comment No. 2 above. Ms. Artz advises that the U.S. Customs Service is an appropriate and compatible tenant for the West Field Cargo Building because the U.S. Customs Service processes cargo entering the United States on aircraft, and the proposed

lease would allow the agency to be in close proximity to the cargo facilities of the airlines.

4. As reported in Attachment I, the fair market value for finished office space in the Airport market area ranges from $20.00 to $24.00 per square foot per year for a full service lease. The proposed lease rate of $56.64 per square foot per year is $32.64 higher than the up to $24.00 fair market value per square foot per year. Ms. Artz advises that the rental cost for the subject office space is up to $32.64 higher per square foot per year than the fair market value of up to $24.00 per square foot per year, largely as a result of the costs of tenant improvements included in the total $56.64 per square foot per year rental cost of the subject office space. According to Ms. Artz, the Airport will achieve the full recovery of the total $3,100,000 in tenant improvement costs over the 15-year term of the proposed lease. Excluding the tenant improvements and parking costs, the proposed annual rent per square foot is $27.28, which is between 13.7 to 36.4 percent higher than the $20.00 to $24.00 fair market value rate reported by Ms. Artz. As explained by Ms. Artz in Attachment I, the airlines have agreed to a higher than fair market rate.

5. According to Ms. Artz, the tenant improvement costs, estimated to total approximately $3,100,000, capped at $3,500,000, will primarily consist of the buildout of core and shell space to a Level II Security facility, in accordance with Federal specifications. As stated in Attachment I, the SFO Technical Equipment Company, a consortium of international carriers, has undertaken the tenant improvements on behalf of the Airport, as authorized in a Letter of Agreement dated October 16, 2001. The improvements are estimated to be completed in January of 2003, at which time the term of the lease with the U.S. Customs Service would commence according to Ms. Artz. The consortium will contract for architectural engineering, construction and project management services through a competitive bid process, subject to the Airport's approval, before December 31, 2002.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Harvey Rose, Budget Analyst Office **DATE:** June 27, 2002

FROM: Diane Artz, Sr. Property Manager, SFO

SUBJECT: **Approval of a Lease with U.S. Customs Service**

This responds to your request of June 26, 2002, for information relating to the proposed Lease between the Airport and U.S. Customs Service ("Customs") for office space at West Field Cargo Building I (Board Item No. 02-1130).

Rational for the Proposed Lease

In 1991, Customs Cargo Unit moved from a facility at San Francisco International Airport (the "Airport or SFO") to a larger, off-Airport facility located on North Access Road. The Cargo Unit is responsible for the entry and clearance of all international cargo shipments entering the United States at SFO. This facility is no longer suitable for Customs due to operational reasons. First, the U.S. Government categorizes Customs cargo facilities as Level II security facilities. The current facility does not meet today's rigorous federal requirements for proper security, storage, and segregation of goods. Second, over the past ten years, the volume of international cargo has increased dramatically, increasing from approximately 320,000 cargo transactions in 1991 and peaking at 512,400 transactions in 1999. This represents an average growth of seven percent (7%) per year. In 2001, the volume of entries declined to 400,712, reflecting the events of September 11th and the Bay Area economy in 2001. Long term however, all parties expect the cargo volumes to rebound and follow the historical pattern of 6-7% annual growth.

With the growth of international cargo, there has been a corresponding increase in Customs staffing from 47 employees to 75 employees, which represents a sixty percent (60%) increase. Customs has outgrown its current facility and it is essential that it relocate to a facility that can support its operations. Cramped working conditions and antiquated facilities have impaired Customs' ability to meet the time-sensitive demands associated with cargo processing efficiencies and fully implement new security measures and technologies required to ensure state-of-the-art Customs processing of cargo. Customs has therefore expressed serious interest in relocating back onto the Airport.

In early 2001, the Airport completed construction of a new cargo building in the West Field area, a building known as the West Field Cargo Building 1 ("WFCB"). It is comprised of approximately 72,000 square of leasable office space, public, and Airport support space (mechanical rooms, etc.), and 67,000 square feet of leasable cargo warehouse. Asiana Airlines and China Airlines are the anchor tenants at WFCB, occupying 100% of the warehouse and a

majority of the floor office space. The U. S. Department of Agriculture is also a tenant and the U. S. Food and Drug Administration recently committed to leasing a portion of the remaining available office space.

WFCB is centrally located, providing air carriers, the U.S. Postal Service, customs brokers and other related entities easier access to this critical federal agency. WFCB offers suitable space that will meet the operational needs of Customs; therefore, relocation of Customs to WFCB creates broad benefits for Customs, the international carriers serving SFO, the Airport and the Bay Area economy.

Annual Rent

Rent for facilities housing Customs' Cargo Unit has traditionally been borne by the international carriers using the services of Customs upon invoice by the respective landlords. The Rent provision of the proposed Lease is consistent with this practice. The Initial Annual Rent is estimated at $940,150 per year; it will be adjusted, either up or down, upon completion of construction and determination of the final project cost and resultant annual debt service.

Annual Rent payable by Customs is $1 per year. The balance will be payable monthly by the international carriers using the services of Customs, based on the individual carriers' actual pro-rata share of Customs transactions, as reported by Customs. On May 21, 2002, pursuant to Resolution No. 02-0111, the Airport Commission approved the Airport's Rates and Charges schedule for FY 02/03, which incorporated a new fee category designated as the "Customs Rental Charge", which will be applied to the transaction data to determine the monthly rent for each international carrier. Rates and Charges is the Airport's methodology for establishing rental rates for terminal space, landing fees and other Airport services, based on a residual rate setting structure. All airlines are obligated, under their respective leases and/or permits, to pay all other charges or fees for facilities, as set forth on the applicable schedule of Rates and Charges.

The Annual Rent is comprised of four revenue categories:

Base Rent: $327,850 ($19.75/sf/year) for core and shell space.

Parking: $120,960 ($7.29/sf/year) for 100 parking spaces to accommodate employee parking and government vehicles.

Services: $125,005 ($7.53/sf/year) for provision of janitorial, utilities, and maintenance services.

Debt Service: $366,335 ($22.07/sf/year) based on an estimated project cost of $3.1M, to be amortized over 15 years at 5.56% interest. The debt service represents the principal and interest attributable to the financing of up to $3.1 Million in project costs. The project will be financed utilizing general Airport revenue bonds issued by the Airport in March of 2002. The interest rate is based on the going rate of interest at the time of issuance.

Cumulatively, the rate per square foot per year is $56.64.

The rent is subject to annual increases based upon the following methodologies:

Base Rent:	By CPI adjustments.
Parking:	By Airport Rates and Charges.
Services:	By revision of the budget for Services, as determined by the Airport's Facilities, Operation and Maintenance Division.
Debt Service:	Not adjustable.

<u>Fair Market Value ("FMV")</u>
The annual rent per square foot is $56.65 per square foot per year or $4.72 per square foot per month. Market data indicates that current FMV for finished office space in the Airport market area ranges from $20 to $24 per square foot per year, full service. This is a dramatic decline from 3rd quarter of 2001, where FMV ranged from $30 to $48 per square foot per year. Given recent trends, the proposed rate per square foot of $56.65 is significantly higher than FMV. The references regarding FMV are based on market data provided by BT Commercial Real Estate Market Research Division, Coldwell Banker, the Raiser Organization, and the City's Department of Real Estate. The rate is acceptable to the airlines for the following reasons:

1. The facility that currently houses Customs on South San Francisco Boulevard offers substandard office accommodations and fails to meet current security requirements. Early in 2001, Customs made it quite clear to the airlines that this location was no longer acceptable and, in light of the available space opportunity in West Field Cargo Building, they wanted to move back onto Airport property. Customs advised the airlines that failing this, they intended to move either to the Customs House in the San Francisco Financial District or to a new off-Airport office building.

   Close proximity to this vital government function is essential to airline efficiencies, economics and their cargo product offering. Logistically, the Customs House downtown was totally contrary to these airline goals. Alternatively, relocation to a different off-Airport building would have been further from the Airport, again posing a logistical and economic concern. Given Customs' clear desire to relocate from its present location and the alternatives posed, the airlines concluded that the West Field Cargo Building offered the best overall alternative in terms of logistics and economics.

2. The airlines recognize that it is more expensive to have space on-Airport. By comparison, comparable office space in the Airport terminals is categorized as Category II space and rents for $128.86 per square foot per year.

<u>Methodology to Construct the Tenant Improvements</u>
Through our conversations with Customs, it became apparent that Customs would not be able to complete their own tenant improvements due to certain federal prohibitions regarding construction of tenant improvements and existing budget constraints. Given the broad benefits

of bringing Customs back onto the Airport, the Airport agreed to fund the tenant improvements as a new capital project. The Capital Plan Review Committee incorporated the project into the Capital Plan, as approved by the Commission on June 5, 2001, for fiscal year 01/02 and 02/03. The San Francisco Airline Airport Affairs Committee approved the capital project in July of 2001.

SFO Technical Equipment Company ("SFOTEC"), is a consortium of the international carriers operating at the new International Terminal. Given that the member airlines of SFOTEC are the primary users of Customs' Cargo Unit, and SFOTEC's members will be paying the rent in accordance with Airport Rates and Charges, SFOTEC became involved with the initial programming for the Customs' build-out at WFCB. On October 16, 2001, pursuant to Resolution No. 01-0319, the Airport Commission authorized the Director to enter into a Letter Agreement with SFOTEC to undertake the design, construction and project management of the tenant improvements. SFOTEC will contract for the A/E services, construction services and project management services necessary for the completion of the project through a competitive process, all of which will be performed with Airport oversight. SFOTEC will be reimbursed for the actual, invoiced amounts for those third party contracts, pursuant to Airport review and approval.

cc: Gary Franzella

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bcc: Admin./Chron./Doc. File
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Carriers with U. S. Customs Cargo Unit Transactions

Aeroflot-Russian Airlines
Air Canada
Air China
Air France
Alaska Airlines
All Nippon Airways
American Airlines
Alitalia
Asiana Airlines
Atlas Air
British Airways
Cargolux Airlines International
Cathay Pacific Airways
China Airlines
China Eastern Airlines
Continental Airlines
Delta Airlines
El Al Israel Airlines
EVA Airways
Evergreen International
Federal Express
Finnair
Gemini Air Cargo
Japan Airlines
Kitty Hawk Air Cargo
KLM-Royal Dutch Airlines
Korean Air
Lufthansa German Airlines
Martin Air Holland
Mexicana Airlines
Nippon Cargo Airlines
Northwest Airlines
Philippine Airlines
Polar Air
Singapore Airlines Cargo
TACA
United Airlines
U.S. Airways
Virgin Atlantic Airways
U.S. Postal Service

Note: This carrier list is subject to change as carriers commence or cease serving SFIA.

West Field Cargo Building 1

Overview of the Development

Construction of West Field Cargo Building 1 began in April 1999, with a 2 year construction schedule. In order to accommodate the two airline tenants' desire to take occupancy, and the Airport's desire to initiate rent, prior to final completion of the building, the Airport's Building Inspection and Code Enforcement Department ("BICE") issued a temporary certificate of occupancy ("TCO") for the first floor of the office wings and the warehouse portion of the facility. The Airport received the TCO and Asiana and China Airlines were permitted to move in and begin operations in May and June 2001, respectively.

The TCO did not include the second and third floors of the facility, as additional work was required to complete the base building elevator system and to construct common corridors on the upper floors, which corridors were not part of the base building contract. The Airport also determined that certain improvements were required on the telecommunication and data communication infrastructure to better support the tenants ITT needs on the upper floors.

The common corridor project was completed in May of 2002 and the elevator work is scheduled for sign off by BICE within the next two weeks, at which time a TCO for the entire facility will be issued At that time, it is will be possible for tenants to occupy the upper floors, assuming completion of their tenant improvements.

Leasing Efforts

As construction of West Field Cargo Building proceeded, Aviation Management staff focused on the leasing efforts. The first priority was to consummate the leases with the two anchor airline tenants, China Airlines and Asiana Airlines. Prior to the leases, both of these airlines had off-Airport locations for cargo processing. Both leases were approved by the Airport Commission in June 2000, with Board approval following in July 2000. This achieved 100% lease up of the warehouse space and 18% of the leasable office space.

The next lease, with the U.S. Department of Agriculture for 11.6% of leasable space, was approved by the Airport Commission in November of 2001, with Board approval following in January 2002. Concurrent to this lease negotiation, Airport staff was developing the lease with the U.S. Customs Service, resulting in the proposed lease for another 29% of the space, leaving approximately 23,527 square feet unoccupied.

Staff is currently working with the next prospective tenant, the U. S. Food and Drug Administration, for approximately 5,300 square feet of office space and is confident that additional tenants will be secured over the next year to bring the building to full occupancy.

Item 9– File 02-0811

Department: Sheriff's Department

Item: Resolution approving the Controller's certification that Own Recognizance Release, Supervised Misdemeanant Services and Pretrial Court Diversion provided to arrested persons in the City and County of San Francisco can continue to be practically performed by a private contractor at a lower cost for the year commencing July 1, 2002, than if the work were performed by City employees.

Program Services to bePerformed: Own Recognizance, Supervised Misdemeanant Services and Pretrial Court Diversion

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for these services for FY 2002-03 would result in estimated savings as follows:

Own Recognizance Services

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$788,787	$934,804
Fringe Benefits	230,019	252,389
Total	$1,018,806	$1,187,193
Estimated Total Contract Cost	(862 ,862)	(863,038)
Estimated Savings	$155,944	$324,155

Supervised Misdemeanant Services

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$321,405	$380,930
Fringe Benefits	112,096	123,144
Total	$433,501	$504,074
Estimated Total Contract Cost	(360,465)	(361,396)
Estimated Savings	$73,036	$142,678

Pretrial Court Diversion Services

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$1,016,220	$1,203,954
Fringe Benefits	297,371	326,883
Total	$1,313,591	$1,530,837
Estimated Total Contract Cost	(908,158)	(910,759)
Estimated Savings	$405,433	$620,078

Comments:

1. The Own Recognizance (O.R.) Project interviews persons arrested on non-warrant felony charges and certain misdemeanors who are booked into custody and are not immediately bailed or cited. The interviews provide information for the Superior Court to determine whether the person should be released on their own recognizance.

The Supervised Misdemeanant Services releases persons accused of certain misdemeanor offenses who cannot post bail from the criminal justice system to the Supervised Misdemeanant Project. The Supervised Misdemeanant

Project guarantees that the accused person will return to Supervised Court for a hearing.

The Pretrial Court Diversion Services Project diverts selected misdemeanor offenders from the criminal justice system and places such offenders in the Pretrial Diversion Project to receive case management and referral to services such as vocational training, job placement, counseling, and substance abuse treatment.

2. According to Ms. Jean Mariani of the Sheriff's Department, the O.R. Service was first certified as required under Proposition J, (Charter Section 10.104) in FY 1977-78 and has been continuously provided by an outside contractor since that time.

Ms. Mariani advises that this would be the first year that Supervised Misdemeanant Services would be certified under Proposition J. Previously, Ms. Mariani notes that the City's Civil Service Commission approved personal service contracts for these services. However, Ms. Mariani advises that during FY 2001-02 the Civil Service Commission requested that the Supervised Misdemeanant Services be provided by the Sheriff's Department. Ms. Mariani reports that the Department decided to continue to provide such services under Proposition J because such services would be prohibitively expensive if City employees were used.

Ms. Mariani further reports that Pretrial Diversion Project services was first certified as required under Proposition J in FY 1977-78 and has been continuously provided by an outside contractor since that time.

3. The one-year contracts with the San Francisco Institute for Criminal Justice, the Center for Juvenile and Criminal Justice and the San Francisco Pre-Trial Diversion Project, the non-profit organizations which provide the O.R. Services, the Supervised Misdemeanant Services and the Pretrial Court Diversion Services, respectively each commenced on July 1, 2002. The proposed resolution, therefore, should be amended to provide for retroactivity.

BOARD OF SUPERVISORS
BUDGET ANALYST

4. The Estimated Total Contract Cost used for the purpose of this analysis is (a) the San Francisco Institute for Criminal Justice's projected FY 2002-03 cost for Own Recognizance Project Services, (b) Center for Juvenile and Criminal Justice's projected FY 2002-03 cost for the Supervised Misdemeanant Services and (c) San Francisco Pretrial Diversion Program's projected FY 2002-03 cost for the Pretrial Court Diversion Services.

5. The Controller's supplemental questionnaire with the Department's responses is attached to this report.

Recommendations:

1. Amend the proposed resolution to provide for retroactivity, as noted in Comment No. 3.

2. Approve the proposed resolution, as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: 06/Sheriff

CONTRACT SERVICES: Own Recognizance (OR) Services

CONTRACT PERIOD: July 1, 2002 – June 30, 2003

(1) Who performed the activity/service prior to contracting out?
Prior to contracting out, the service was not previously provided.

(2) How many City employees were laid off as a result of contracting out?
None

(3) Explain the disposition of employees if they were not laid off.
(Not applicable)

(4) What percentage of City employees' time is spent on services to be contracted out?
None

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
Services have been provided via contract since 1966. It is likely that the Sheriff's Department will continue to contract them out.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?
These services were first certified through Proposition J in Fiscal Year 1977-78. They have been certified each subsequent fiscal year.

(7) How will the services meet the goals of your MBE/WBE Action Plan?
Because a non-profit organization provides the services, the MBE/WBE Plan is not affected.

(8) Does the proposed contractor provide health insurance for its employees?
Yes

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?
The contractor offers the same benefits to employees with spouses as those with registered domestic partners in full compliance with the ordinance.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?
Yes

Department Representative: Jean M. Mariani, Chief Financial Officer

Telephone Number: (415) 554-4316

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: 06/Sheriff

CONTRACT SERVICES: Supervised Misdemeanant Services

CONTRACT PERIOD: July 1, 2002 – June 30, 2003

(1) Who performed the activity/service prior to contracting out?

Prior to contracting it out, the City did not provide this service. The contractor that was identified to perform this service for the Sheriff's Department had provided similar services to other City departments.

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

(Not applicable)

(4) What percentage of City employees' time is spent on services to be contracted out?

None

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Services have been provided via contract since 1988. It is likely that the Sheriff's Department will continue to contract them out.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

This is the first year for a Proposition J certification for this service. Prior to Fiscal Year 2002-03, the City's Civil Service Commission has approved personal service contracts for these services.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Because a non-profit organization provides the services, the MBE/WBE Plan is not affected.

(8) Does the proposed contractor provide health insurance for its employees?

Yes

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domectic Partners ordinance?

The contractor offers the same benefits to employees with spouses as those with registered domestic partners in full compliance with the ordinance.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Yes

Department Representative: Jean M. Mariani, Chief Financial Officer

Telephone Number: (415) 554-4316

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: 06/Sheriff

CONTRACT SERVICES: Pretrial Court Diversion Services

CONTRACT PERIOD: July 1, 2002 – June 30, 2003

(1) Who performed the activity/service prior to contracting out?

These services were initially funded through federal grant funds and service workers performed the duties.

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

(Not applicable)

(4) What percentage of City employees' time is spent on services to be contracted out?

None

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Services have been provided via contract since 1977. It is likely that the Sheriff's Department will continue to contract them out.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

These services were first certified through Proposition J in Fiscal Year 1977-78. They have been certified each subsequent fiscal year.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Because a non-profit organization provides the services, the MBE/WBE Plan is not affected.

(8) Does the proposed contractor provide health insurance for its employees?

Yes

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

The contractor offers the same benefits to employees with spouses as those with registered domestic partners in full compliance with the ordinance.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Yes

Department Representative: Jean M. Mariani, Chief Financial Officer

Telephone Number: (415) 554-4316

Item 10 - File 02-0991

Department: Police Department

Item: Resolution concurring with the Controller's Certification that Crime Prevention Services can be practically performed by private contractor for lower cost than similar work services performed by City and County Employees.

Services to be Performed: Crime Prevention Services for the Police Department

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employee.

The Controller has determined that contracting for the Police Department's crime prevention services for FY 2002-03 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$529,963	$650,364
Fringe Benefits	128,021	149,874
Total	$657,984	$800,238
Contractual Services Cost	(570,853)	(572,784)
Estimated Savings	$87,131	$227,454

Comments: 1. Under the proposed contract for crime prevention services, San Francisco Safety Awareness For Everyone, Inc. (S.A.F.E.), would train citizens and businesses on how to minimize the likelihood of becoming victims of crime by (1) conducting neighborhood meetings to assist community members in analyzing crime prevention needs and implementing crime prevention strategies; (2) conducting safety presentations for children and their

parents, adults the elderly and tourists; (3) conducting business security and violence in the workplace presentations; (4) providing recommendations to residents and businesses on upgrading security; and, (5) coordinating crime prevention activities with other local, State and Federal law enforcement agencies.

2. The Police Department has contracted with the proposed contractor, San Francisco S.A.F.E., Inc. to train citizens and businesses on how to minimize the likelihood of becoming victims of crime for 26 years. The proposed resolution, however, would be the first year that the Police Department has submitted the proposed contract under Proposition J. According to Captain John Goldberg of the Police Department, in previous years the Civil Service Commission has approved previous contracts. Captain Goldberg reports, however, that during the Civil Service Commission hearings in FY 2001-02, the Commission suggested that future approval would be more appropriate under Proposition J contracting procedures.

2. The Estimated Total Contract Cost for the purposes of this analysis is based on the estimated costs for San Francisco S.A.F.E., Inc. to provide crime prevention services.

3. The one-year contract with San Francisco S.A.F.E., Inc. commenced on July 1, 2002. Therefore, the proposed resolution should be amended to provide for retroactivity. According to Captain Goldberg, the Police Department was unable to have the proposed resolution heard in the Finance Committee before the Committee recessed in June.

4. The Controller's supplemental questionnaire with the Department's responses is attached to this report.

Recommendations:

1. Amend the proposed resolution to provide for retroactivity, as noted in Comment No. 3.

2. Approve the proposed resolution, as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: San Francisco Police Department

CONTRACT SERVICES: Crime Prevention Education

CONTRACT PERIOD: July 1, 2002 to June 30, 2003

(1) Who performed the activity/service prior to contracting out?

One Sergeant and eight Police Officers.

(2) How many City employees were laid off as a result of contracting out?

None.

(3) Explain the disposition of employees if they were not laid off.

Reassigned, internal promotions, or retirement.

(4) What percentage of City employees' time is spent of services to be contracted out?

0%.

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Contract has been ongoing with the San Francisco Police Department for twenty-six years.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?
We are requesting that 7/1/02-6/30/03 be the first year for Proposition J Certification.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

S.A.F.E. is a non profit organization and does not qualify as a goal of the Department.

(8) Does the proposed contractor provide health insurance for its employees?

Yes.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

S.A.F.E. is in compliance with the Domestic Partners Ordinance.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

S.A.F.E. complies with the Living Wage Ordinance

Department Representative: Captain John Goldberg

Telephone Number: 553-1039

Item 11 – File 02-1136

Department: Department of Administrative Services (DAS)

Item: Resolution concurring with the Controller's certification that Convention Facilities management, operation and maintenance services can be practically performed at the Bill Graham Civic Auditorium and the Moscone Center by a private contractor for a lower cost than similar work services performed by City and County employees.

Services to be Performed: Convention facilities management, operation and maintenance

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for convention facilities management, operations and maintenance services at the Bill Graham Civic Auditorium and Moscone Center for FY 2002-2003 would result in the estimated savings as follows:

City Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$9,344,185	$10,962,307
Fringe Benefits	2,374,657	2,580,342
Total	11,718,842	13,542,649
Contractual Services Costs	10,878,071	10,878,071
Estimated Savings	$840,771	$2,664,578

Comments: 1. Under an outside contract, the Moscone Joint Venture, consisting of SMG and Thigpen Limited, Inc., manages, operates and maintains the Bill Graham Civic

Auditorium and Moscone Center. Specifically, the Moscone Joint Venture's responsibilities include: (1) contracting with others for their use of the convention facilities; (2) promoting the use of the convention facilities; (3) conducting event management activities; and (4) maintaining the convention facilities and the equipment therein.

2. Convention facilities management, operation and maintenance services at the Bill Graham Civic Auditorium and Moscone Center were first certified as required by Charter Section 10.104 in FY 1982-1983 and have been contracted out continuously since then. According to Mr. John Noguchi of the Department of Administrative Services' Office of Convention Facilities Management, SMG, the private facility management company charged with operating the City's convention facilities, has been the contractor for these services since the Moscone Center opened in 1981. In 1993, SMG partnered with Thigpen Limited Inc., a minority business enterprise, creating the Moscone Joint Venture.

3. Mr. Noguchi reports that the Department awarded a five-year contract for the provision of convention facilities management, operations and maintenance services at the Bill Graham Civic Auditorium and Moscone Center to Moscone Joint Venture, effective July 1, 1999. The proposed resolution would approve the Controller's certification for the fourth fiscal year of the five-year contract, from July 1, 2002 to June 30, 2003. The proposed resolution, therefore, should be made retroactive to July 1, 2002.

4. The Contractual Services Cost used for the purpose of this analysis is the Moscone Joint Venture's projected FY 2002-2003 costs to provide convention facilities management, operation and maintenance services.

5. The Contractual Services Cost of $10,878,071 for FY 2002-2003 is $949,310 or 8.0 percent less than the FY 2001-2002 cost of $11,827,381. Attachment I to this report is a memorandum from Mr. Noguchi explaining the reasons for the decrease in the contractual services costs.

6. The Controller's supplemental questionnaire with the Department's responses is included as Attachment II to this report.

Recommendation:

1. Amend the proposed resolution to provide for retroactivity, as noted in Comment No. 3.

2. Approve the proposed resolution, as amended.

DEPARTMENT OF
ADMINISTRATIVE SERVICES

WILLIE L. BROWN, JR.
MAYOR

RYAN L. BROOKS
DIRECTOR

July 2, 2002

Matt Stokes
Office of the Budget Analyst
Board of Supervisors
City & County of San Francisco
1390 Market Street, Room 1025
San Francisco, CA 94102

Re: Convention Facilities Management
Prop J 2002-2003

Dear Matt,

Per your request, following is a brief statement summarizing the decrease in the management contractor's labor costs at the Moscone Center and Bill Graham Civic Auditorium for fiscal year 2002-2003.

In a Citywide effort to reduce the budget, Convention Facilities Management committed that beginning in fiscal year 2002-2003, costs associated with cleaning the exhibition floor would be transferred from the operator to the client. This service had historically been provided at no charge to the client. Service contractors, hired by the client to set up and dismantle shows, now have the added responsibility of cleaning the floor. This new arrangement accounts for the majority of the department's cost savings for fiscal year 2002-2003.

Please let me know if you have any questions or need further clarification.

Sincerely,

John T. Noguchi
Deputy Director
Convention Facilities Management
415-974-4027

CITY HALL, ROOM 362, 1 DR. CARLTON B. GOODLETT PLACE, SAN FRANCISCO, CA 94102-4683
TELEPHONE (415) 554-6171; FAX (415) 554-6177

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Convention Facilities Management (Administrative Services)

CONTRACT SERVICES: Operations

CONTRACT PERIOD: July 1, 2002 – June 30, 2003

(1) Who performed the activity/service prior to contracting out?

City

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

Employees went to work for the contractor.

(4) What percentage of City employees' time is spent of services to be contracted out?

0%

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

21 Years

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

1982-1983. Yes.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Contractor is a joint venture with a minority principal.

(8) Does the proposed contractor provide health insurance for its employees?

Yes

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Yes.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Yes.

Department Representative: John Noguchi

Telephone Number: 974-4027

Item 12 – File 02-1127

Department: Recreation and Park

Item: Ordinance amending the San Francisco Park Code by adding Section 12.15, setting fees for participating in day camps run by the Recreation and Park Commission.

Description: The proposed ordinance would increase annual revenues by an estimated $200,925, from $144,090 to $345,015, for fees charged for Recreation and Park Commission day camps. The Department demonstrated that the day camps were not covering the cost of service through fees, and that fees were lower than in surrounding jurisdictions. The proposed fee increases for the Department's day camps would be more comparable to other local day camps, by raising fees an average of 126.7 percent. The specific proposed fee increases are shown in the Attachment provided by the Recreation and Park Commission.

Fee Change Details:

1.	Existing average fee	$37.50 per week
2.	Proposed average fee	$85.00 per week[1]
3.	Dollar and percentage increase between 1 and 2	$47.50 (126.7%)
4.	Last time fee was changed	1990
5.	Estimated annual costs to provide services (as calculated by the Controller's Office)	$500,906
6.	Existing annual fee revenue (as certified by Controller's Office)	$144,090
7.	Proposed annual fee revenue (as certified by the Controller's Office)	$345,015
8.	Revenue shortfall (difference between 5 and 7)	$155,891
9.	Percentage revenue recovery rate from proposed average fee (line 7 divided by line 5)	68.9%
10.	Required average fee for 100 percent cost recovery	$123.71
11.	CPI adjusted in the future?	Yes

Comments: 1. As shown in the table above, the average fees for use of Recreation and Park Department's day camps would increase by an average of $47.50, or 126.7 percent, from

[1] The proposed ordinance shows a biweekly fee of $170.00 for the Pacific Art Camp and the Athletic Day Camp.

$37.50 to $85.00 based on the average from the five City day camps. The proposed fee increase for City day camps are as follows: (a) a 142.9 percent increase at the Pine Lake Camp, from $35.00 to $85.00; (b) a 142.9 percent increase at the Silver Tree Camp, from $35.00 to $85.00; (c) a 142.9 percent increase at the Camp Gourmet, from $35.00 to $85.00; (d) a 161.5 percent increase at the Athletic Day Camp, from $32.50 to $85.00; (e) a 70.0 percent increase at the Pacific Art Camp, from $50.00 to $85.00; and (f) 68.0 percent increase at the Pacific Art Camp (ages 4-6), from $25.00 to $42.00.

2. According to Ms. Mary King-Gorwky of the Recreation and Park Commission, the Department has proposed increases in the subject fees in order to generate additional revenue for the Department. Even with the proposed increases, Ms. King-Gorwky advises that the Department would still not fully recover its costs for providing the subject services. Ms. King-Gorwky advises that the Department currently recovers 28.8 percent of its costs through existing fees. As noted in the above table, the Department would recover 68.9 percent of its costs under the proposed fee increases.

3. The proposed fees would generate $345,015 of revenue, which is $200,925 or 139.4 percent more than the $144,090 of revenue that is currently generated.

4. According to Ms. King-Gorwky, the Recreation and Park Commission conducted a survey of 725 day camp applicants regarding potential fee increases of camp fees. Ms. King-Gorwky further advises that the survey found that 446 respondents, or 61.5 percent, were willing to pay more for day camp services.

5. The Recreation and Park Commission would annually submit the current day camp fee schedule to the Controller who shall apply the Consumer Price Index (CPI) to the fees charged by the Department. Therefore, the subject fees would be changed annually without receiving prior approval from the Board of Supervisors.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors due to future automatic CPI adjustment of the fee level without Board of Supervisors approval.

FEE STRUCTURE FOR DAYCAMPS

Total # of users -- Summer 2001 -- 4,059
Total Revenue -- $144,090
Total Cost of Camps -- $500,906

	TOTAL USERS	COST OF CAMP	COST PER PARTICIPANT	TOTAL REVENUE AT CURRENT RATE	TOTAL REVENUE AT PROPOSED RATE
PINE LAKE SILVER TREE CAMP GOURMET	2,349	$ 290,024	$123	$35 -- $82,215	$85 -- $199,665
ATHLETIC DAY CAMP	1,350	$ 166,802	$123	$32.50 -- $43,875	$85/wk -- $114,750
PACIFIC ART CAMP	360	$ 44,080	$123	$50 -- $18,000	$85/wk -- $30,600
TOTAL	4,059	$500,906		$144,090	$345,015

Proposed figures above do no take into consideration increases for non-residents or "scholarship/sliding scale" reductions for participants with economic needs.

Item 13 - File 02-0987

Departments: Airport Commission
Administrative Services Department, Real Estate Division (RED)

Item: Resolution authorizing the rescission by the City and County of San Francisco of twenty-three (23) Grants of Easements (noise easement deeds) previously acquired by the City, for one property in the City of Pacifica and twenty-two (22) in the City of San Bruno.

Description: In 1992, the Airport entered into a Memorandum of Understanding (MOU) with the County of San Mateo and five cities (Daly City, Millbrae, Pacifica, San Bruno, and South San Francisco), in which the Airport provides funds to local governments to pay for the cost of insulating private residences. As part of the agreement to provide such funds to cover the noise insulation costs, the Airport obtains a Grant of Easement from the property owner, permitting the Airport to conduct operations, which would cause noise and vibration on the private property. In June of 2000, the Board of Supervisors approved a supplemental agreement (File 00-0606) which authorized the Airport to provide funds to pay for noise insulation costs for 1,764 private residences, schools, churches, and nursing facilities and to acquire 1,764 noise easements against Airport noise in Daly City, San Bruno, and unincorporated San Mateo County in addition to the noise easements authorized under the original MOU. The Airport has committed up to $154,200,000 to purchase the noise easements, of which approximately $120,900,000 are Airport funds and approximately $33,300,000 are Federal Aviation Administration (FAA) funds[1].

Approval of the proposed resolution would permit 23 property owners, which are identified in Attachment I, including one single-family residence in the City of Pacifica, one single-family residence in the City of San

[1] Under the original MOU between the Airport and the County of San Mateo and five San Mateo cities, the Airport committed up to $120,000,000 to provide funds to the County of San Mateo and five cities which signed the MOU. The Airport committed an additional $34,200,000 to purchase the 1,764 additional noise easements in Daly City, San Bruno, and unincorporated San Mateo County, totaling $154,200,000.

Bruno and 21 condominiums in the City of San Bruno, from whom the Airport had previously acquired noise easements, to withdraw from the Noise Insulation Program (i.e. "quitclaim" a previously authorized easement). The Noise Insulation Program contract permits property owners to withdraw from the program if they choose. As noted in Attachment II, provided by the Real Estate Division, property owners typically choose to withdraw from the Noise Insulation Program if (1) the owner plans to sell the uninsulated home and does not want to commit a potential buyer to the easement (See Comment No. 1); (2) some aspect of the planned insulation fails to meet a perceived expectation; or, (3) the owner does not want to pay for additional structural repairs that are not covered under the Program.

Attachment I to this report lists the single-family residence in the City of Pacifica, the single-family residence in the City of San Bruno and the 21 condominiums in the City of San Bruno who wish to withdraw from the Airport Noise Insulation Program.

Comments:

1. According to Ms. Sally Osaki of the Airport, under the Airport Noise Insulation Program, the Airport advances 25 percent of the cost of the installation of noise insulation when the relevant local government jurisdiction submits the easement to the Airport. The remaining 75 percent of the monies is paid by the Airport to the local government when the construction of the noise insulation commences. Although the Airport has advanced 25 percent of the costs for insulating the 23 subject properties to the respective local governments, none of the 23 properties have been insulated to date.

2. Ms. Osaki reports that the Airport has advanced $3,750 to the City of Pacifica for the noise insulation costs and associated easement of the private residence at 170 Sunshine Drive, which equals 25 percent of the total costs of $15,000. The property owner, however, now wishes to withdraw from the Airport Noise Insulation Program. Ms. Osaki notes that the $3,750 previously authorized by the Board of Supervisors and already paid by the Airport to the City of Pacifica to acquire this noise easement, will be deducted from future Airport payments due to the City of

Pacifica for the acquisition of other previously authorized noise easements.

3. According to Ms. Osaki, the Airport has advanced \$3,750 to the City of San Bruno for the noise insulation costs and associated easement for the private residence at 508 3rd Avenue, which equals 25 percent of the total costs of \$15,000. The property owner now also wishes to withdraw from the Airport Noise Insulation Program. According to Ms. Osaki, \$3,432, which represents 25 percent of the cost of the noise insulation less administrative costs, will be deducted from future Airport payments due to the City of San Bruno for the acquisition of other previously authorized noise easements. Ms. Osaki states the Airport payments to the City of San Bruno include both noise insulation costs and administrative costs, pursuant to the supplemental agreement between the Airport and the County of San Mateo, Daly City and San Bruno discussed above (File 00-0606).

4. According to Ms. Osaki, the Airport has advanced \$25,214 to the City of San Bruno for the noise insulation costs and associated easement for the 21 condominiums, which equals 25 percent of the total costs of \$100,858. The 21 San Bruno condominium owners now wish to withdraw from the Airport Noise Insulation Program. Ms. Osaki states that the City of San Bruno will reallocate the \$25,214 payment to 21 other San Bruno condominium owners that qualify for noise insulation under the MOU.

5. Ms. Mara Rosales of the City Attorney's Office advises that the proposed quitclaim deeds, which would rescind the noise easements purchased by the Airport from the 23 property owners, would create no new legal exposure for the Airport because the owners of the properties in question have voluntarily declined to participate in the publicly funded Airport Noise Insulation Program. According to Ms. Rosales, the Airport will still have complied with the State airport noise regulations by virtue of having offered noise insulation to these 23 property owners.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Quit Claim List (Updated 4/22/02)
Fiscal Year 2001-2002

	Property	Owner Last Name	City
1	170 Sunshine Drive	Petrucci	Pacifica
2	508 3rd Avenue	Soja	San Bruno
3	223 Boardwalk #C	Kokezas	San Bruno
4	229 Boardwalk #H	Becker	San Bruno
5	235 Boardwalk #D	Fiske	San Bruno
6	243 Boardwalk #F	Hewes	San Bruno
7	402 Boardwalk #11	Flodin	San Bruno
8	410 Boardwalk #11	Flodin	San Bruno
9	410 Boardwalk #24	Kimes	San Bruno
10	1126 Cherry Avenue #23	Devere	San Bruno
11	1126 Cherry Avenue #68	Sullivan	San Bruno
12	107 Piccadilly Place #C	Osip	San Bruno
13	117 Piccadilly Place #H	Whited	San Bruno
14	119 Piccadilly Place #A	Hoxell	San Bruno
15	121 Piccadilly Place #H	Elliot	San Bruno
16	147 Piccadilly Place #G	Donham	San Bruno
17	401 Piccadilly Place #16	Sirios	San Bruno
18	403 PiccadillyPlace #5	Miller	San Bruno
19	403 PiccadillyPlace #22	Lee	San Bruno
20	407 Piccadilly Place #6	Erasmy	San Bruno
21	411 Piccadilly Place #8	Lamb	San Bruno
22	411 Piccadilly Place #14	Unsworth & Hengst	San Bruno
23	415 Piccadilly Place #6	Cochrane	San Bruno

ATTACHMENT A

MEMORANDUM

July 3, 2002

TO: Harvey Rose
Budget Analyst

THROUGH: Katie Fitzpatrick
Budget Analyst

FROM: Steve Legnitto
Assistant Director of Property

SUBJECT: Resolution authorizing the rescission of 23 noise easements for properties located in Pacifica and San Bruno.

We believe that the most common reasons for requesting withdrawal from the noise abatement and insulation program are as follows.

1) The property owner wishes to sell the uninsulated home, without committing a potential buyer to granting rights to the Airport as stated in the easement deed.

2) The property owner requests withdrawal from the program because some aspect of the planned insulation fails to meet his perceived expectations.

3) The property owner does not wish to pay for structural repairs that are not covered under the MOU programs, i.e., dry rot damage that must be removed prior to the installation of acoustical windows and doors.

Should you have any question, please call Jean Medlar at 554-9887.

City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Meeting Agenda

Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Wednesday, July 17, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. **011178** **[Motor Vehicle for Hire Permit Filing Fees and License Fees]**

Ordinance amending Sections 2.26.1 and 2.27.1 of the Police Code to amend schedules for motor vehicle for hire permit filing fees and license fees. (Taxi Commission)

8/2/01, RECEIVED AND ASSIGNED to Finance Committee.

5/1/02, CONTINUED. Speakers: None.
Continued to 5/8/02.

5/8/02, RECOMMENDED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Theodore Lakey, Deputy City Attorney; Naomi Little, Executive Director, Taxicab Commission.

5/8/02, REFERRED. Transferred to Budget Committee.

6/25/02, MEETING RECESSED. Heard in Committee. Speakers: Bruce Oka; Jim Kennedy; Mark Newburg; Ann; Manuel; Joseph Fleischman; Howard Green; Paul Gillesppi; Jim Nakamora; Naomi Little, Taxicab Commission; Supervisor Ammiano; Supervisor McGoldrick; Supervisor Yee.
Recessed to meeting of June 27, 2002.

6/27/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Naomi Little, Executive Director, Taxicab Commission; Rue Gravas; Charles; Jim Nakamora; John Bardis; Supervisor Ammiano.
Amendment of the Whole further increasing fees. To Be transferred to Finance Committee to be heard on July 17, 2002

6/27/02, CONTINUED TO CALL OF THE CHAIR AS AMENDED.

7/1/02, TRANSFERRED to Finance Committee.

2. 020910 [Revenue Bond Election]

Resolution calling and providing for a special election to be held in the City and County of San Francisco for the purpose of submitting to the qualified voters of said City and County on November 5, 2002 a proposition for the issuance of revenue bonds and/or other forms of revenue financing by the Public Utilities Commission in a principal amount not to exceed $1,628,000,000 to finance the acquisition and construction of improvements to the City's water system and for the possible imposition of a surcharge on retail water customers; and consolidating said special election with the General Municipal Election to be held on November 5, 2002; complying with Section 53410 of the California Government Code; finding the proposed project is in conformity with the priority of Planning Code Section 101.1(b) and the City's General Plan. (Public Utilities Commission)

(Fiscal impact.)

6/5/02, RECEIVED AND ASSIGNED to Finance Committee.
6/27/02, SUBSTITUTED. Substituted by the City Attorney 6/28/02, bearing new title.
6/27/02, ASSIGNED to Finance Committee.
7/10/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Margaret Bruce, Silicon Valley Manufacturing Group; Lee Glitch, President, San Francisco Chamber of Commerce; Brook Turner, Coalition for Better Housing; Ira Ruskin, Chair, Committee for Regional Water Reliability;
Continued to 7/17/02.
7/10/02, CONTINUED.

3. 021136 [Contracting out Convention Facilities management, operation and maintenance services]

Resolution concurring with the Controller's certification that Convention Facilities management, operation and maintenance services can be practically performed at Bill Graham Civic Auditorium and the Moscone Center by private contractor for a lower cost than similar work services performed by City and County employees. (Administrative Services Department)

6/21/02, RECEIVED AND ASSIGNED to Finance Committee.
7/10/02, CONTINUED. Speakers: None.
Continued to 7/17/02.

4. 021185 [Emergency Response Fee Amendments]

Supervisors Daly, Ammiano, Gonzalez, McGoldrick, Sandoval, Leno

Ordinance amending Section 755 of the San Francisco Business and Tax Regulations Code by increasing the Emergency Response Fee rates for standard telephone access lines from $1.00 to $1.25 per month, for trunk lines from $7.50 to $9.38 per month, and for high capacity trunk lines from $135 to $168.75 per month.

7/1/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 7/31/2002.
7/3/02, RECEIVED AND ASSIGNED to Finance Committee. 30 day rule waived.
7/8/02, SUBSTITUTED. Supervisor Daly submitted a substitute ordinance bearing same title.
7/8/02, ASSIGNED to Finance Committee.

5. 021049 [Lease of Property - Camelot Hotel]

Supervisor Ammiano

Resolution authorizing and approving the lease by and between the City and County of San Francisco, for the Department of Public Health, as Tenant, and 124 Turk Street, LP, as Landlord, for the Camelot Hotel located at 124 Turk Street, San Francisco, CA 94102.

(Fiscal impact; District 6.)

6/10/02, RECEIVED AND ASSIGNED to Finance Committee.

6. **021121** **[Business Tax]**

Supervisor Peskin

Motion submitting the San Francisco Tax Reform Ordinance 2002 to the qualified electors of the City and County of San Francisco, at the November 5, 2002 general municipal election.

6/17/02, RECEIVED AND ASSIGNED to Rules and Audits Committee.

6/19/02, TRANSFERRED to Finance Committee. (6/26/02 - Referred to Small Business Commission for comment and recommendation.)

7. **021097** **[Business Tax]**

Supervisor Peskin

Ordinance amending the Business and Tax Regulations Code to: (1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax on persons engaging in specified business activities in San Francisco; (2) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) reduce businesses' taxable payroll expense by the amount of payroll expense attributable to their San Francisco business activities taxed under Article 12-A-1 (Gross Receipts Tax Ordinance), (ii) conform Article 12-A (Payroll Expense Tax Ordinance) with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 6 (Common Administrative Provisions), (iii) repeal the Enterprise Zone Tax Credit set forth in Section 906A, (iv) repeal the $500 surplus business tax revenue credit set forth in Section 906E, and (v) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulation Code, and place them in Article 6 (Common Administrative Provisions); (3) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); (4) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12-A-1 (Gross Receipts Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review; (5) amend Section 501 of Article 7 to clarify the definition of "Permanent Residents" exempt from the tax on the transient occupancy of hotel rooms, and (6) amend Section 606 of Article 9 to repeal the exemptions to the tax and surcharge upon the rent charged for the occupancy of parking spaces in parking stations (i) which are part of residential or hotel premises and (ii) for registered hotel guests where the parking station is not located on the hotel premises.

6/17/02, ASSIGNED UNDER 30 DAY RULE to Rules and Audits Committee, expires on 7/17/2002.

6/19/02, TRANSFERRED to Finance Committee. (6/26/02 - Referred to Small Business Commission for comment and recommendation.)

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceeding begins, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to Committee Clerk, Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, California 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above.

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.42 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

021221 **[Laws and procedures governing the enforcement of prevailing wages for workers on public work projects]**

Supervisor Ammiano

Ordinance adding subsection 6.1(H), definition of prevailing wage; amending subsection 6.22(A)(6) to include a requirement concerning subcontractor licenses; amending subsection 6.22(B) to include a requirement that all contractor and subcontractors provide workers' compensation insurance certificates; amending subsection 6.22(E) concerning application and enforcement of prevailing wage requirements and assessment of penalties and backwages; amending subsection 6.22(O) to add further contractual requirements for the employment of apprentices and to add penalties for noncompliance; adding subsection 6.22(P) concerning safety requirements for contractors and subcontractors; amending section 6.24 to expand the authority of the Office of Labor Standards Enforcement to enforce requirements of state and federal law, to enforce working conditions and apprenticeship and to assess monetary penalties and backwages against public work contractors.

7/8/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 8/7/2002.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.ci.sf.ca.us/bdsupvrs.bos.htm.

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FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

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/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 11, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: July 17, 2002 Finance Committee Meeting

Item 1 File 01-1178

Note: This proposed ordinance, which would increase Motor Vehicles for Hire fees, was last heard by the Finance Committee on May 8, 2002. The Finance Committee referred the proposed ordinance to the Budget Committee for consideration during the annual budget review during the month of June of 2002. During the Budget Committee's consideration of the Taxicab Commission's proposed FY 2002-2003 budget, an amended version of the proposed fee ordinance was submitted to the Budget Committee. The amended ordinance changed the proposed fees and, overall, reduced projected FY 2002-2003 fee revenue by $117,300, from $1,445,250 to $1,327,950. Also at that time, the Taxicab Commission's proposed FY 2002-2003 expenditure budget was reduced by Budget Committee by $117,300 to conform to the amended schedule of fees and reduced revenue estimate. This proposed ordinance, as amended, was then transferred back to the Finance Committee for consideration.

Department: Taxicab Commission

Item: Ordinance amending Sections 2.26.1 and 2.27.1 of the Police Code to amend the schedules for Motor Vehicles for Hire of the one-time permit application filing fees, other related fees and annual license fees and transferring

responsibility for the administration the Motor Vehicles for Hire Program from the Police Department's Taxicab Detail to the Taxicab Commission.

Description:

In November of 1998, San Francisco voters approved a Charter Amendment that created the Taxicab Commission (Proposition D) to administer the Motor Vehicles for Hire permits, fees and licensing program. Police Code Section 1076 (a) defines Motor Vehicles for Hire as every type, kind and class of privately owned motor-propelled passenger-carrying vehicles for hire over which the City may exercise jurisdiction, excluding vehicles licensed in other jurisdictions, limousines, funeral limousines, buses, private ambulances or rail vehicles.

The proposed ordinance would (a) transfer responsibility for the administration the Motor Vehicles for Hire Program from the Police Department's Taxicab Detail to the Taxicab Commission in accordance with Charter Section 4.133; and (b) amend Sections 2.26.1 and 2.27.1 of the Police Code to modify the amount of the fees charged under the Motor Vehicles for Hire Program. The permit application filing fees are currently collected on a one-time basis only while other related fees are collected when applicable, for example each time a Medallion is lost, by the Police Department. The annual license fees are collected by the Treasurer/Tax Collector's Office.

In accordance with Police Code Section 1087, all revenues generated from Motor Vehicles for Hire fees are deposited in the Taxicab Enforcement Fund and such funds can only be used for the capital and operating costs related to the Motor Vehicles for Hire permit and license program. Capital costs include vehicles used for auditing and enforcement purposes and operating costs include personnel expenses, materials and supplies and related costs. All expenditures made from the Taxicab Enforcement Fund are subject to appropriation approval by the Board of Supervisors.

As stated above, during the Budget Committee's consideration of the Taxicab Commission's proposed FY 2002-2003 budget, an amended version of the proposed

fee ordinance was submitted to the Budget Committee. The amended ordinance changed the proposed fees and, overall, reduced projected FY 2002-2003 fee revenue by $117,300, from $1,445,250 to $1,327,950. Also at that time, the Taxicab Commission's proposed FY 2002-2003 expenditure budget of $1,445,250 was reduced by the Budget Committee by $117,300 to $1,327,950 to conform to the amended schedule of fees and reduced revenue estimate. Attachment I, provided by the Taxicab Commission, shows the current fees, previously proposed fees and currently proposed fees for 12 permit application filing fees and other related fees and eight annual license fees for Motor Vehicles for Hire. These fees were last revised in April of 1999 (File 98-1443).

Attachment II, also provided by the Taxicab Commission, details the specific expenditure reductions to the Taxicab Commission's proposed FY 2002-2003 budget to reduce proposed expenditures by the $117,300 amount of the reduced revenues that would result from the amended version of the proposed ordinance. The Budget Committee approved the reductions to the Taxicab Commission's budget and recommended the reduced Taxicab Commission budget to the Board of Supervisors.

Recommendations: Approve the proposed ordinance.

Attachment I

Amended Proposed Taxi Fee Increase and Revenue Projections
2002-2003

6/27/02

			Original Prooosed Fee 2002-2003			New Proposed Fee 2002-2003			
	Permit Type	Current Fee 2002	Original Proposed Fee 2002-2003	Original Proposed Fee vs. Current Fee	% Increase Original Proposed Fee vs. Current Fee	New Proposed Fee 2002-2003	Original Proposed Fee vs. New Proposed Fee	New Proposed Fee vs. Current Fee	% Increase New Proposed vs. Current Fee
Drivers	Driver Applications	$65	$65	$0	0%	$65	$0	$0	0%
Drivers	Driver Renewals	$40	$40	$0	0%	$40	$0	$0	0%
Permit Holders/Cab Companies	Permit Holder Applications	$450	$550	$100	22%	$550	$0	$100	22%
Permit Holders/Cab Companies	Permit Holder Renewals	$330	$625	$295	89%	$495	($130)	$165	50%
Permit Holders/Cab Companies	Ramped Taxicab Applications	$325	$100	($225)	-69%	$100	$0	($225)	-69%
Permit Holders/Cab Companies	Ramped Taxicab Renewals	$175	$100	($75)	-43%	$100	$0	($75)	-43%
All Applicants	PCN Applications	$200	$225	$25	13%	$300	$75	$100	50%
Permit Holders/Cab	Color Scheme Change	$125	$150	$25	20%	$250	$100	$125	100%
Permit Holders/Cab	Lost Medallions	$150	$150	$0	0%	$150	$0	$0	0%
Permit Holders/Cab	Metal Medallions	$25	$25	$0	0%	$30	$5	$5	20%
Cab Companies	New Color Scheme Application								
Cab Companies	1 to 5 Medallions	$500	$500	$0	0%	$750	$250	$250	50%
Cab Companies	6 to 15 Medallions	$1,000	$1,000	$0	0%	$1,500	$500	$500	50%
Cab Companies	16 to 49 Medallions	$2,000	$2,000	$0	0%	$3,000	$1,000	$1,000	50%
Cab Companies	50 or more Medallions	$2,500	$2,500	$0	0%	$3,750	$1,250	$1,250	50%
Cab Companies	Color Scheme Renewals								
Cab Companies	1 to 5 Medallions	$500	$500	$0	0%	$500	$0	$0	0%
Cab Companies	6 to 15 Medallions	$1,000	$1,000	$0	0%	$1,000	$0	$0	0%
Cab Companies	16 to 49 Medallions	$2,000	$2,000	$0	0%	$2,000	$0	$0	0%
Cab Companies	50 or more Medallions	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
Dispatch	Dispatch Service Application	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
Dispatch	Dispatch Service Renewals	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
	Total Revenue	$1,040,175	$1,445,250			$1,327,950	($117,300)	$287,775	

Reductions to Taxicab Commission Budget
Per New Proposed Fee Increase 6/27/02

- Per further discussions regarding the Taxicab Commission Fee Increases, I am submitting an amended fee schedule with the following amendments to the Taxicab Commission budget.

Reductions in the total of $117,300 Include:

- .75 FTE of class 1840, Junior Management Analyst in the amount of $41,085
- .5 FTE of class 1842, Management Analyst in the amount of $31,106
- $17, 776 in corresponding fringes
- $1,333 in Professional and Contract Services
- $26,000 in equipment for 1 car

Salaries		
Class	FTE	Reductions
1840	-0.75	$ (41,085)
1842	-0.5	$ (31,106)
Subtotal		$ (72,191)
Fringe		$ (17,776)
Total Salary & Fringe		$ (89,967)
Non-Salary		
Professional and Contract		$ (1,333)
Capital/ Equiptment		$ (26,000)
Total Non-Salary		$ (27,333)
Total Reductions/Savings		$ (117,300)

Item 2 – File 02-0910

Note: This item was continued by the Finance Committee at its meeting of July 10, 2002. This revised report reflects the Amendment of the Whole approved by the Finance Committee at that meeting.

Department: Public Utilities Commission (PUC)
Mayor's Office of Public Finance

Item: Resolution calling and providing for a special election to be held in the City and County of San Francisco for the purpose of submitting to the qualified voters of said City and County on November 5, 2002 a proposition for the issuance of revenue bonds and/or other forms of revenue financing by the Public Utilities Commission in a principal amount not to exceed $1,628,000,000 to finance the acquisition and construction of improvements to the City's water system and for the possible imposition of a surcharge on retail water customers; and consolidating said special election with the General Municipal Election to be held on November 5, 2002; finding the proposed project is in conformity with the priority of Planning Code Section 101.1(b) and the City's General Plan.

Amount: The maximum principal amount is not to exceed $1.628 billion.

Source of Funds: Revenue bonds and/or other forms of revenue financing. Other forms of revenue financing include notes, debentures, commercial paper, variable rate demand notes and bonds, auction rate securities, lease revenue bonds, installment sale agreements, and other forms of similar financial products which may be created from time to time.[1]

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[1] According to Ms. Karol Ostberg of the PUC, the PUC will manage its debt portfolio to achieve an overall objective of minimizing costs and maintaining flexibility to respond to changing market conditions and a dynamic capital improvement program. The bulk of the debt is anticipated to be long-term fixed-rate revenue bonds which have the advantage of known financing costs over the useful life of the asset being financed. The PUC also anticipates using certain types of variable rate debt to take advantage of lower average interest rates. Use of such instruments would be particularly advantageous during construction of capital projects, by lowering the cost of capitalized interest. In addition, certain types of variable rate debt may be issued to permanently fund project costs. The added benefit of overall lower interest rates associated with variable rates is somewhat offset by the interest rate volatility associated with variable rate debt, so such debt would not exceed 25 percent of the entire bond issuance, according to Ms. Ostberg.

Description: The PUC has identified water system ($3.628 billion) and clean water system ($996 million) capital improvement costs totaling $4.624 billion, comprising:

- $2.913 billion for regional water system improvements[2]. Regional customers would pay approximately 69 percent of the cost (approximately $2 billion) and San Francisco ratepayers would pay approximately 31 percent of the cost (approximately $913 million).
- $715 million for local water system projects within San Francisco[3]. This would be entirely funded by San Francisco ratepayers.
- $996 million for Clean Water capital improvement projects within San Francisco[4]. This would be entirely funded by San Francisco ratepayers. As explained in Comment No. 15 below, separate bond issues would be required for these projects which are currently estimated to total $996 million.

The $3.628 billion water system capital improvement program is intended to replace or repair aging water system facilities since many of the system's components are at the end of their useful life, address seismic concerns (particularly the lack of back-up facilities), accommodate future increases in the demand for water, and meet future regulatory requirements for the quality of drinking water. If this requested revenue bond authorization is approved by the voters in the November of 2002 election, the 13 year capital improvement program would start in 2003 and construction would be scheduled for completion by 2016. The PUC would review and update the plan annually during this 13 year program.

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[2] Under the Amendment of the Whole, the regional water system comprises facilities for the storage, treatment, and transmission of water operated and maintained by the City in the Tuolumne, Stanislaus, San Joaquin, Alameda, Santa Clara, and San Mateo Counties, plus three reservoirs in San Francisco itself. The regional water system provides water to the City and the PUC's 29 wholesale customers, who disperse the water to 1.6 million clients in Alameda, San Mateo, and Santa Clara Counties.

[3] The local water system delivers water from the regional water system throughout the City and stores a portion of it locally in City reservoirs.

[4] The clean water system collects, treats, and disposes City sewage and storm water. The City also contracts with public sector agencies in San Mateo County to provide wastewater services.

The water system capital improvement program consists of the 77 projects listed in Attachment V, provided by the PUC. These 77 projects comprise:

(a) 37 regional water system capital improvement projects, including three reservoirs within City boundaries which are considered to be regional assets. These 37 projects would cost a total of $2.913 billion of which regional customers would pay approximately $2 billion (approximately 69 percent) and San Francisco ratepayers would pay approximately $913 million (approximately 31 percent), as itemized in Attachment V. This split in financing responsibility is discussed in Comment No. 6.
(b) 40 local water system capital improvement projects at a cost to San Francisco ratepayers of $715 million.

The total cost to San Francisco ratepayers of these 77 projects is $1.628 billion. The proposed revenue bonds in the amount of $1.628 billion would fund:

- $937 million for the actual project construction costs (approximately 57.6 percent of the total $1.628 billion cost).
- $210 million in escalation costs assuming 3 percent annual inflation during the 13 year construction period (approximately 12.9 percent of the total $1.628 billion cost).
- $185 million in program contingency costs and management reserves (approximately 11.4 percent of the total $1.628 billion cost). According to Ms. Karol Ostberg of the PUC, this amount includes a 10 percent margin for program contingencies for the purpose of completing the program on budget and on schedule (10 percent of total construction and escalation costs is $115 million). The contingency will only be available for changes in scope and design that cannot be foreseen at the capital improvement program's outset. In addition, there is a 6 percent management reserve (6 percent of total construction and escalation costs is $69 million). Management reserves are required by large capital improvement

programs in order to manage externally imposed conditions, critical emergencies, and other conditions that cannot be predicted in advance.

- $296 million for financing costs (approximately 18.2 percent of the total $1.628 billion cost). This amount comprises:

Financing Costs	Cost
Costs of issuance[5]	$16,280,000
Reserve fund deposit[6]	115,292,000
Bond insurance premium[7]	8,140,000
Capitalized interest fund[8]	156,288,000
Total:	$296,000,000

The breakdown of this $1.628 billion in costs between regional water projects and local water projects is shown in the following table:

	Construction	Construction Inflation	Contingency & Management Reserve	Financing Costs	Totals
Regional Water	$519,437,000	$123,899,000	$103,792,000	$166,026,000	$913,154,000
Local Water	417,854,000	85,814,000	81,296,000	129,974,000	714,938,000
TOTAL:	$937,291,000	$209,713,000	$185,088,000	$296,000,000	$1,628,092,000*

* Note: Rounds to $1.628 billion.

All expenditures of bond proceeds for capital improvement program purposes, and all capital budgets, are subject to

[5] Costs of issuance include (a) rating agency fees (an estimated $6,512,000 or approximately 40 percent of the total costs of issuance), (b) bond counsel fees (an estimated $5,698,000 or approximately 35 percent of the total costs of issuance), (c) financial advisory fees (an estimated $2,442,000 or approximately 15 percent of the total costs of issuance), and (d) printing and distribution of official statements, and other related fees (an estimated $1,628,000 or approximately 10 percent of the total costs of issuance).

[6] The debt service reserve fund is equal to maximum annual debt service.

[7] A bond insurance policy makes scheduled debt service payments if the issuer fails to do so. Bond insurance provides an issue an AAA rating and the resulting lower interest rates save more than the cost of the bond insurance premium, according to Ms. Ostberg.

[8] The capitalized interest fund is for bond proceeds which are reserved to pay interest on an issue for a period of time early in the term of the issue when capital improvement project construction is commencing.

appropriation approval by the Mayor and the Board of Supervisors.

The proposed resolution to authorize a $1.628 billion revenue bond issue, although considerably smaller than the original $3.628 billion proposal, would remain the largest single voter authorization ever put before San Francisco voters. As noted above, the $1.628 billion in revenue bonds would finance the 77 water system capital improvement projects listed in Attachment V.

Comments: Capital Improvement Program Planning

1. In February of 1998, the PUC published a draft long-term Water Enterprise capital improvement plan which identified projects cumulatively costing an estimated $3.5 billion and initiated development of a Program Management Consultant contract to assist with delivering such a large capital improvement program. In January of 2000, two long-range financial reports by Bartle Wells Associates recommended that the PUC develop and adopt an integrated capital improvement program and long-range financial plan. In February of 2000, the State Auditor General recommended the completion of a long-range capital improvement program financial plan. In April of 2000, the PUC published a *Water Supply Master Plan* and a *Facilities Reliability Plan* which identified critical water system capital improvement projects, most of which were included in prior reports, but which failed to develop financing plans. On August 28, 2000, the Board of Supervisors authorized the first year of a four-year Program Management Consultant contract between the PUC and the San Francisco Water Alliance[9], now renamed the Water Infrastructure Partners (see Comment No. 17). Since then, the PUC and the Program Management Consultant have worked to develop plans which (a) prioritized capital improvement projects in terms of their ability to improve reliability and reduce exposure to risk, (b) accurately estimated individual capital improvement projects' costs, (c) specified the project activities and staffing required to complete

[9] The San Francisco Water Alliance was a joint venture of Bechtel Infrastructure Corporation, The Jefferson Company, and Sverdrup Civil, Inc.

individual capital improvement projects, and (d) included financing plans.

2. The PUC hired a permanent General Manager in September of 2001 who focused on further development of the capital improvement program. In January of 2002, the General Manager presented the PUC with revised draft capital improvement plan documents. In response, the PUC requested public hearings to solicit feedback from local ratepayers and regional customers. Further revisions to the draft capital improvement program documents were made based on the input received at the public hearings, and on May 28, 2002, the PUC approved three key documents:

- A *Long-Term Strategic Plan for Capital Improvements* which identifies strategic objectives and performance measurements to guide the capital improvement program.
- A ten-year capital improvement program showing capital improvement program costs and schedules. Ms. Ostberg advises that all projects will begin construction within ten years, but that some may take up to an additional three years to close-out or complete, for a total of 13 years.
- A *Long-Range Financial Plan* which recommends an optimal strategy for financing the capital improvement program.

<u>Evaluations of the Capital Improvement Program</u>

3. Following a recommendation from the Mayor's Public Utilities Infrastructure Task Force, the PUC's General Manager hired R.W. Beck, an independent engineering firm, to review the development and validity of the entire capital improvement program, the PUC's ability to successfully implement a capital improvement program of that size, and the long-range financial plan. Ms. Ostberg states that R.W. Beck was selected by the PUC General Manager on the basis of that firm's reputation, experience with similar projects, independence from the PUC (it has no other business with the PUC), and availability. Appendix 1 to this report presents a digest of R.W. Beck's conclusions and recommendations.

4. In April and May of 2002, the R.W. Beck evaluation was reviewed by a Blue Ribbon Panel of professionals selected by the PUC's General Manager in consultation with the San Francisco Planning and Urban Research Association (SPUR) who had expertise in water delivery, infrastructure, planning, finance, and other disciplines. This panel made a number of recommendations which are also summarized in Appendix 1 to this report.

5. Attachment I, provided by the PUC, states that the PUC agrees with all of the recommendations made by both R.W. Beck and the Blue Ribbon Panel, and states that it plans to implement those recommendations over the next two to three years.

Concurrent Legislative Developments

6. As outlined in Attachment I, provided by the PUC, the State Legislature is currently considering three bills which would impact the PUC's proposed capital improvement program. Of these three bills, SB1870 is supported by the PUC. SB1870 was originally proposed by the Bay Area Water Users Association to give wholesale customers more opportunity to be involved in financing regional water system capital improvement projects. SB1870 proposes to establish an independent entity, the San Francisco Bay Area Regional Water System Financing Authority, for the financing of regional water system projects. If enacted, the San Francisco Bay Area Regional Water System Financing Authority would assume responsibility for issuing revenue bonds in the amount of approximately $2 billion, or approximately 69 percent of the $2.913 billion regional water system capital improvement program costs for which wholesale customers are responsible. This would leave the City responsible for issuing revenue bonds for the remaining approximately 31 percent, or approximately $913 million, of the regional water system capital improvement program for which the City is responsible. The amount of $913 million for the City's share of the regional water system capital improvement program plus $715 million for the local water system capital improvement program totals the $1.628 billion revenue bond issue and/or other

forms of revenue financing which are now being proposed under this legislation. Attachment I, provided by the PUC, outlines the three State bills and their potential impacts on the PUC's capital improvement program.

Capital Improvement Program Funding

7. According to Ms. Ostberg, the general provisions of the sale of the Water Revenue Bonds would be as follows:

- The timing of the issuance of the water revenue bonds each year would be determined by market conditions and capital improvement project spending rates. While the table below aligns projected bond issuance dates with projected capital improvement project expenditures, funding in certain years could initially take the form of commercial paper or other variable rate interest debt to be refunded by later bond issues, if financially advantageous to the City.
- At any given time, the PUC might have financing in place such as commercial paper to serve as interim financing during the capital improvement project construction phases, as well as 30 year term fixed or variable rate bonds to provide permanent financing once construction is completed.
- The PUC expects to actively seek and take advantage of other financing sources as they become available, including State or Federal grants, extraordinary revenues (for example, one-time revenues from surplus land sales), and State revolving funds. Such alternative sources, if available, would reduce the amount of bonds which would need to be issued and would lower the overall capital improvement program costs.
- Each type of financing would require the prior approval of the Mayor and the Board of Supervisors.
- The water revenue bonds would be issued at an interest rate not to exceed 12 percent, or whatever future cap (if any) is set by State law.

8. Attachment II, provided by the PUC, shows the projected debt service schedule for proposed revenue bonds in the amount of $1.628 billion to be issued during the period of FY 2003-2004 through FY 2031-2032. Ms.

Ostberg states that the average annual debt service payment will be $85 million for each of the 30 years from FY 2003-2004, and the total debt service payment over 30 years will be $2.551 billion.

9. Attachment III, provided by the PUC, shows that San Francisco ratepayers currently pay the second lowest average water rates in the Bay Area. In FY 2002-2003, San Francisco ratepayers pay an average monthly water bill of $14.43, compared to an average monthly water bill of $17.51 across the 12 Bay Area jurisdictions. However, as shown in the table below, San Francisco ratepayers' share of water system projects would be paid for by projected gradual increases in water rates from an average monthly bill of $17.16 in FY 2003-2004 to an average monthly bill of $47.07 in FY 2015-2016, a $29.91 per month or approximately a 174.3 percent increase using 2003 dollars. Ms. Ostberg advises that the water rates of other utilities will also increase during this period as a result of their own capital improvement programs or because they are wholesale customers of the PUC.

Even though the proposed resolution reduces the revenue bond amount by $2 billion, from $3.628 billion to $1.628 billion, the water service rate increase for San Francisco ratepayers would remain 174.3 percent. This is because San Francisco ratepayers' share of the water system capital improvement program remains $1.628 billion under either proposal, comprising $913 million for the City's share of regional water system capital improvement projects and $715 million for local water system capital improvement projects. The remaining $2 billion of regional water system projects would be funded by regional water customers.

According to Mr. Bill Berry of the PUC, concerns have been expressed by representatives of residential landlords and tenants over whether or not the proposed resolution should permit residential landlords to recover water rate increases from tenants in units covered by the provisions of Chapter 37 of the San Francisco Administrative Code (the Residential Rent Stabilization and Arbitration Ordinance). As of the writing of this report, no decision

has been made whether or not to include a pass-through provision in the proposed resolution.

10. The following tables present (a) the PUC's projected sale of revenue bonds or other instruments in the amount of $1.628 billion, and (b) the impacts on residential rates for San Francisco households during the period of FY 2003-2004 through FY 2015-2016.

Projected Bond Issuance Schedule

Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Amount of Financing Issued	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)
Regional Water	$7	$17	$24	$67	$105	$132	$130
Local Water	10	20	53	67	77	154	133
Annual Total	$17	$37	$77	$134	$182	$286	$263
Fiscal Year	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**Totals**
Amount of Financing Issued	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)
Regional Water	$165	$79	$66	$56	$44	$21	$913
Local Water	77	31	56	37	0	0	715
Annual Total	$242	$110	$122	$93	$44	$21	$1,628

Anticipated Impact on Residential Customers

Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Average monthly cost to SF households	$17.16	$20.42	$22.46	$24.71	$26.93	$29.35	$32.00
Fiscal Year	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	
Average monthly cost to SF households	$34.88	$38.01	$41.06	$43.11	$45.26	$47.07	

11. For San Francisco businesses, the proposed revenue bonds would result in annual water rate increases of between 4.8 and 5.8 percent depending on the industry, according to Ms. Ostberg. The Budget Analyst projects that San Francisco businesses would therefore pay a total compounded water service rate increase of between 102 and 133 percent by FY 2015-2016.

12. The Amendment of the Whole proposes that the maximum principal amount of $1.628 billion could be reduced if the Board of Supervisors determines that San Francisco ratepayers would benefit from having the proposed San Francisco Bay Area Regional Water System Financing Authority finance, in whole or in part, the City's portion of the regional water capital improvement program. According to Ms. Theresa Alvarez of the City Attorney's Office, if the San Francisco Bay Area Regional Water System Financing Authority finances such projects, the City would need to take one of two actions in order to be a voting member of the San Francisco Bay Area Regional Water System Financing Authority, as required by SB1870. The City would either have to seek voter approval to (a) repeal Proposition H, or (b) impose a surcharge on retail water rates so that San Francisco ratepayers pay their share of the debt service on the bonds issued by the San Francisco Bay Area Regional Water System Financing Authority, and its operating expenses, given Proposition H constraints on water service rate increases. Ms. Alvarez states that if the proposed resolution is not approved by the voters, then the same powers could be obtained through the proposed Charter Amendment described in Comment No. 22 below. The size of the surcharge would be dependent upon the amount of debt incurred by the San Francisco Bay Area Regional Water System Financing Authority and the interest rates applying at the time the debt is incurred.

13. Ms. Ostberg states that during the public hearings on the PUC's proposed capital improvement program, the PUC received considerable public comment from all customer classes on the impact of the proposed bond measure on those least able to pay higher rates. Therefore, the PUC intends to initiate a rate study to (a) review the PUC's rate structure, (b) ensure that rates are

fairly distributed among customer classes, and (c) incorporate a means to support conservation and recycling initiatives. The rate study results are expected in early 2003, after the November of 2002 election but prior to the first issuance of the proposed bonds and the resulting rate increase. Ms. Ostberg advises that this rate study cannot be completed earlier because its largest component, a demand study, requires examination of the peak demand period of September through October of 2002. Ms. Ostberg advises that a rate study has not already been completed because (a) the PUC lacked a permanent General Manager, and (b) one of the key lessons learned from the public hearings was the public's desire to better understand the PUC rates structure.

14. Appendix 2 to this report provides additional information on the PUC's Water Enterprise credit ratings, other financing options if voters do not approve the proposed revenue bonds, and Charter Section 9.107 exceptions.

15. As noted above, the proposed resolution does not cover the current estimate of $996 million needed to fund the ten projects designed to replace or repair aging clean water facilities. According to Ms. Ostberg, the public outreach hearings on the capital improvement plan held by the PUC in the Spring of 2002 identified a lack of community support for the Clean Water capital improvement projects selected by the PUC and raised a number of environmental issues. Therefore, the PUC General Manager is recommending that the PUC prepare a separate, comprehensive sewer service master plan over the next 18 to 24 months. Ms. Ostberg states that the PUC anticipates bringing a Clean Water Revenue Bond proposal to the Board of Supervisors during calendar year 2004.

Program Management Consultant

16. On August 28, 2000, the Board of Supervisors approved a four-year contract between the PUC and the

San Francisco Water Alliance[10] for program management services related to the capital improvement program (Board Resolution 754-00), subject to annual Board of Supervisors approval to renew the contract.

17. On March 28, 2002, Bechtel Infrastructure Corporation withdrew from Contract Year 2 of the Program Management Consultant contract, thus terminating its contractual relationship with the City. The remaining joint venture partners, now consisting of Primus Industries, Inc.[11] and Jacobs Civil, Inc.[12] and renamed the Water Infrastructure Partners, requested that the PUC reassign the program management services contract to their reconstituted joint venture, with Jacobs Civil, Inc. as the lead partner responsible for meeting the contract requirements, the role formerly performed by Bechtel Infrastructure Corporation[13]. PUC staff determined that the reconstituted joint venture met or exceeded each of the original Request for Proposals' requirements and was therefore qualified and competent to assume responsibility for completing the contract term. The PUC accepted the proposed reassignment of the contract to the reconstituted joint venture, subject to Board of Supervisors approval to (a) reassign the contract, (b) waive the competitive procurement requirements of Administrative Code Sections 6.40 *et seq.*, and (c) release the remaining contract funds for Contract Year 2 which

[10] The San Francisco Water Alliance consisted of Bechtel Infrastructure Corporation, Sverdrup Civil, Inc., and The Jefferson Company.

[11] On October 1, 2000, The Jefferson Company changed its name to Primus Industries, Inc. Mr. Jefferson states that he is the sole owner of Primus Industries, Inc. According to Ms. Lillie Sunday of Primus Industries, Inc., on October 1, 2000 The Jefferson Company changed its name to Primus Industries, Inc. "to provide the necessary infrastructure required to support our rapid growth in size, services, and capabilities. We operate as Primus Industries, Inc. with two subsidiary companies: Primus Transportation Company, and Primus Infrastructure Company." Mr. Jeet Bajwa of the PUC states that when The Jefferson Company's name change to Primus Industries, Inc. took place on October 1, 2000, the Human Rights Commission was advised immediately and Human Rights Commission certification was issued on March 12, 2001. However, for the purposes of the former San Francisco Water Alliance contract, The Jefferson Company name was left unchanged.

[12] On March 1, 2002, Sverdrup Civil, Inc. was purchased by Jacobs Civil, Inc. and ceased to exist as a separate entity.

[13] In a March 28, 2002 letter to the PUC's General Manager, Mr. James Jefferson, President and CEO of Primus Industries, Inc. and Ms. Darlene Gee, Vice-President of Jacobs Civil, Inc. state: "We propose to rename our joint venture, if desirable, to allow a clean break from the association with past perceptions. We would restructure the joint venture and designate Jacobs Engineering as the lead. Everything else would remain unchanged."

expires on September 21, 2002. Board of Supervisors approval was granted on June 17, 2002 (File 02-0905). According to Mr. Jeet Bajwa of the PUC, it is the PUC's intention to request that the Board of Supervisors approve Contract Year 3 continuation of the contract with the renamed Water Infrastructure Partners (September 22, 2002 through September 21, 2003).

18. The Controller has performed three audits of the Program Management Consultant's performance against its task orders, short-term performance measures, and long-term performance measures (July 20, 2001, October 2, 2001, and April 8, 2002). In August and September of 2001, an independent Peer Review Panel reviewed the work of the Program Management Consultant [14]. In May of 2002, the PUC completed a new performance evaluation of the Program Management Consultant which concluded that during the first half of Contract Year 2 the Program Management Consultant performed as follows. On a scale of 1 (did not deliver as agreed), 2 (partial fulfillment), and 3 (delivered as agreed), the Program Management Consultant scored 3 for "adherence to project schedule" and "task management", 2.61 for "adherence to project schedule," and 2.58 for "quality of work" in relation to 12 tasks. Therefore, the PUC evaluated the Program Management Consultant as fully meeting half of its key performance measures.

19. The Budget Analyst notes that while the PUC intended to fully integrate PUC and Program Management Consultant staff during the first two contract years, such integration has not taken place. The Budget Analyst also notes that the ability of the Program Management Consultant to achieve significant, documented, and verifiable capital improvement program management savings remains unproven.

[14] The independent Peer Review Panel, convened to meet the Board of Supervisors requirement for an independent peer review of Contract Year 1 of the San Francisco Water Alliance contract, comprised Mr. Paul Findley and Mr. Peter Talbot of Malcolm Pirnie, Inc. (a private company of environmental engineers, scientists, and planners) and Dr. Douglas Selby, Deputy City Manager of the City of Las Vegas. A key recommendation of that peer review was that performance measures should be established within each task order issued to the Program Management Consultant by the PUC.

Workforce Issues

20. Since the Budget Analyst's first report on the Program Management Consultant contract issued in August of 2000, the Budget Analyst has noted the PUC's historic inability to fill vacant engineering positions in the PUC's Utilities Engineering Bureau. According to Ms. Therese Madden of the PUC, as of July 3, 2002 the Utilities Engineering Bureau has 60 vacancies out of 197 positions in total (approximately 30.5 percent). Of these 60 vacancies, 40 are in engineering classes, out of 119 engineering positions in total (approximately 33.6 percent), and ten are in technical classes. Ms. Madden states that the PUC has initiated the hiring process for 11 of the 40 vacant engineering positions. Ms. Madden advises that the majority of the remaining 49 vacant engineering positions are in classifications which now have eligible lists, and therefore hiring appointments could be made immediately. However, the hiring process has not been initiated for those 49 vacant positions because such positions are to work on capital improvement projects funded by the proposed revenue bonds which have yet to be approved by the voters. Ms. Madden states that the Utilities Engineering Bureau does plan to initiate the selection processes for these 49 vacant positions in the Fall of 2002, in advance of the voters' approval of the proposed revenue bonds, so that potential candidates can be hired and begin work as soon as the revenue bonds are approved.

21. For FY 2002-2003, the PUC requested $1,849,491 to establish a Capital Improvement Program Team to manage the capital improvement program. The Budget Committee has recommended this request for approval by the Board of Supervisors. The requested $1,849,491 includes $1,186,491 for 18 new positions (13.50 FTEs in FY 2002-2003) and $663,000 for contractual services, materials and supplies, and equipment. Ms. Madden states that the PUC has implemented a hiring plan to staff the new Capital Improvement Team by October 1, 2002. Recruitment has been underway for some time for the program manager positions, and the PUC is initiating an examination process to establish a permanent list for such positions. Selections are currently being made from

the Senior Engineer and Association Engineer lists. The PUC intends to make all administrative and clerical appointments by October 1, 2002, according to Ms. Madden. Attachment IV, provided by the PUC, contains the proposed capital improvement program staffing plan and an explanation of the FY 2002-2003 capital improvement program objectives.

Proposed Charter Amendment[15]

22. According to Ms. Vicki Clayton of the City Attorney's Office, a proposed Charter amendment (File 02-0887) would establish the PUC's exclusive control of water and clean water utilities; rate setting standards and methods; the transfer of surplus funds between utilities; independence in contracting; purchasing, hiring, and selection of contractors; reporting and planning requirements; and authorization of revenue bonds or other financing methods without voter approval, if this proposed Charter Amendment is adopted by the voters. Ms. Ostberg states that to the extent that this proposed Charter Amendment gives the PUC authority to issue bonds without voter approval, this Charter Amendment would negate the need for the proposed voter-approved revenue bond issuance of $1.628 billion in its current form.

Fire Department

23. While the PUC is responsible for managing the low-pressure water system, the Fire Department is responsible for managing the City's high pressure water system, the Auxiliary Water Supply System (AWSS). The Capital Improvements Advisory Committee expressed concern that the PUC has not consulted the Fire Department about the impact of its water system capital improvement projects on the AWSS. In Attachment I, Mr. Berry states that the proposed capital improvement program would not significantly affect, either positively or negatively, the performance or reliability of the Fire Department's AWSS.

[15] The other PUC Charter Amendment currently before the Rules and Audits Committee, File 01-2056, addresses PUC financing authority in relation to the power system only.

Summary of the Issues Noted by the Budget Analyst:

1. The Budget Analyst notes a number of issues which could impact the size of, and potential voter support for, the proposed revenue bond issuance:

- The PUC's projected 174.3 percent increase in water rates payable by San Francisco ratepayers over the first 13 years of the capital improvement program would adversely impact San Francisco ratepayers who currently pay the second lowest water rates in the Bay Area. The Budget Analyst projects that San Francisco businesses would pay a total compounded water service rate increase of between 102 and 133 percent over the same 13 year period.
- The PUC will not be able to issue its proposed rate study report, which will ensure that rates are fairly distributed among customer classes, before the November of 2002 election.
- The Proposition H water rate and sewer service charge freeze has had a negative impact on the PUC's credit ratings, increasing interest rates by an estimated 0.2 percent, which increases debt service by $2,000,000 annually for every $1 billion of revenue bonds issued. Proposition H does not expire until July 1, 2006.
- The need for the proposed voter-approved revenue bond issue could be negated if voters approve a Charter Amendment proposed for the November of 2002 ballot (File 02-0887) which would give the PUC authority to issue bonds without voter approval.
- According to Mr. Berry, concerns have been expressed by representatives of residential landlords and tenants over whether or not the proposed resolution should permit residential landlords to recover water rate increases from tenants in rent-controlled units.

2. The Budget Analyst notes that the PUC's Program Management Consultant contract with the San Francisco Water Alliance, now reconstituted as the Water Infrastructure Partners, has, to date, failed to (a) fully integrate PUC and contractor staff, and (b) provide significant, documented, and verifiable capital improvement program management savings despite the

PUC's assurances to the Board of Supervisors that such savings are achievable.

3. The Budget Analyst also notes the PUC's historic difficulty in filling vacant engineering positions in the PUC's Utilities Engineering Bureau which is a key resource for implementing the proposed capital improvement program funded by the proposed revenue bonds.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

APPENDIX 1: INDEPENDENT EVALUATIONS OF THE CAPITAL IMPROVEMENT PROGRAM

R.W. Beck

R.W. Beck's May 21, 2002 report on the capital improvement plan concluded that:

- While supportive of the capital improvement program planning approach, Bay Area Water Users Association (BAWUA) members are frustrated by the PUC's slow progress in implementing the capital improvements. BAWUA has introduced State bills to create an agency which would allow BAWUA members to directly fund needed regional water system capital improvements.
- BAWUA members are concerned whether the PUC intends to continue to be a regional water provider that will meet BAWUA members' water supply requirements for the long term.
- The criteria for selecting, sizing, and measuring the performance of capital improvement program projects needs to be more fully developed, with quantifiable objectives and standards.
- The proposed capital improvement projects are necessary to maintain the regional and local water systems.
- The proposed capital improvement projects are at varying levels of definition and investigation, so the accuracy of the cost and schedule information varies. The PUC and its Program Management Consultant had endeavored to standardize the costs and schedules. R.W. Beck characterized this work as "diligent" and "methodical," stating that the approach followed by the PUC and the Program Management Consultant was "consistent with, and probably better than that used by most similar utility systems in preparing CIP programs."
- The consolidated capital improvement program/long-range financial planning process clearly prioritizes projects, ensures better cost estimates, and provides a valid basis for approval and adoption.
- Annual review of the capital improvement program by the PUC is appropriate.
- Historically, the PUC. has tracked capital improvement program costs by classification of project which makes it difficult to evaluate the performance of individual projects.
- The long-range financial plan is logically constructed and is based on reasonable financial assumptions.

- Proposition H[1] poses serious threats to the PUC's ability to maintain satisfactory reserves and coverage ratios to support the debt that will be needed to fund the capital improvement program.
- The community needs better information on the costs and trends in other cities facing similar issues.

R.W. Beck further concluded that there is a significant risk that the planned level of project delivery will not be achieved, especially in the initial years of the program, because of:

- The relative inexperience of the PUC's Capital Improvement Program Manager in implementing a capital improvement program of this magnitude and complexity.
- The vacancy of the Assistant General Manager for Infrastructure position. According to Mr. Jeet Bajwa of the PUC, this position has been vacant since November of 2001. After several internal PUC candidates were considered, the PUC hired an external recruitment consultant to advertise the position in May of 2002. Ms. Ostberg advises that an interim Assistant General Manager for Infrastructure, Mr. Donald Birrer, a former PUC General Manager, was appointed on July 1, 2002, while the national recruitment search continues. The PUC expects to fill the position by September of 2002, according to Ms. Ostberg.
- The PUC's cumbersome hiring practices.
- The status of the program/project monitoring and controls system. Mr. Bajwa states that an evaluation of several control system tools is currently underway, with a decision expected to be made in December of 2002.
- The potential 12 to 24 month delay in hiring a new program management services contractor if the current Program Management Consultant is replaced.

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[1] Proposition H, approved by the voters on June 2, 1998, freezes water rates at their current levels until July 1, 2006, proposed to the following exceptions:

- The rate freeze does not apply to the fees charged to customers located outside of San Francisco.
- The rate freeze could be suspended if the City declared an emergency, as defined by Charter Section 3.100.
- The rates could be increased to repay the money borrowed through the City's issuance of bonds for improvements to the water system approved by the voters in November of 1997 (Propositions A and B), but such increases cannot exceed a total of 18 percent during the period between July 1, 1998 and July 1, 2006.
- The rates could be increased to repay money borrowed from further improvements to the water system approved by voters in the future.

The effective date of Proposition H, July 1, 1998 followed two years of rate freezes self-imposed by the PUC. Therefore, Proposition H froze rates at their 1996 levels through June 30, 2006, with the exception of the 18 percent increase allowed for debt service related to Propositions A and B Water Revenue Bonds. Of the $304,000,000 authorized by Propositions A and B, the issuance of $140,000,000 in Water Revenue Bonds during FY 2001-2002 necessitated an 8.65 percent average rate increase for retail customers. The anticipated issuance of the remaining $164,000,000 in Water Revenue Bonds during FY 2002-03 will necessitate a further 8.60 percent average rate increase for retail customers, for a compounded cumulative rate increase of 17.99 percent over two years, thereby hitting the 18 percent cap imposed by Proposition H (File 02-0904)

- The need for a tenfold increase in the rate of project delivery. The PUC has historically developed and implemented capital projects at a slow pace.
- The lack of project accountability related to cost and schedule.
- The lack of an Asset Management Plan to follow-up on capital improvement projects after completion.
- The cumulative effect of all of the tasks scheduled to be accomplished over the next 12 months.

Based on the above conclusions, R.W. Beck recommended that the PUC:

- Coordinate with BAWUA to (a) refine the Regional Water Master Plan to reflect mutually agreeable performance standards, (b) conduct an integrated resources management plan, and (c) evaluate alternative regional associations for implementing critical regional water improvements.
- Formally adopt the capital improvement program, establish a process for the annual update, reporting, and/or approval of changes, and declare that the PUC intends to be a long-term regional provider of water.
- Continue to use the cost model, capital improvement program scheduling, and "optioneering"[2] tools developed over the last two years.
- Make hiring an Assistant General Manager for Infrastructure a top priority to (a) manage external communications and expectations, and (b) develop a Business Plan with the Program Management Consultant.
- Establish a joint venture between the PUC's Capital Improvement Program Group and the Program Management Consultant to establish a clear and integrated working relationship between the two organizations. Such an arrangement is not unusual in implementing major public sector projects with private consultants, according to R.W. Beck.
- Develop a dual-track or contingency plan approach for capital improvement plan implementation during the first several years.
- Develop an Asset Management Plan to track future system maintenance and capital replacement requirements.
- Implement a capital improvement program oversight committee to conduct an annual review of the capital improvement program.
- Implement an internal Technical Advisory Committee to provide oversight of individual capital improvement program projects.
- Streamline PUC review and approval processes.
- Capitalize interest over three years rather than two years to better represent the costs incurred prior to project commercialization.

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[2] "Optioneering" is a process which uses alternative analyses to (a) identify the real project needs, (b) determine the appropriate evaluation criteria, (c) evaluate solutions against those criteria, (d) select the optimum project, (e) define the design base, and (f) obtain engineering and customer concurrence. The optioneering assessment should include capital and operating costs, specification requirements, environmental implications, and preliminary schedules.

- Take the steps necessary to protect bond ratings given the capital improvement program's debt financing requirements.
- Review the formula for calculation of Suburban Water Revenue Requirements when the Master Water Sales Contract is renewed. If possible, the PUC should amend the Master Water Sales Contract (which is due to expire on June 30, 2009) prior to any additional bond issues. If revenues can be more closely tied to debt service, the financial community's confidence should be enhanced.

Blue Ribbon Panel

In April and May of 2002, the R.W. Beck evaluation was reviewed by a Blue Ribbon Panel of professionals with expertise in water delivery, infrastructure, planning, finance, and other disciplines, convened by the San Francisco Planning and Urban Research Association (SPUR)[3]. The Blue Ribbon Panel concluded that the R.W. Beck evaluation was "very competent, comprehensive, rigorous, accurate and on target for this stage in the [capital improvement] program." The Blue Ribbon Panel further recommended that:

- Develop project management and accounting mechanisms which allow for real-time assessment of project status and cost-run rates, and which are consistently applied to all capital improvement projects.
- Fully integrate the Facilities Reliability Program (seismic) and the Water Supply Master Plan (conservation, desalination, and recycling), and develop detailed, regularly updated system recovery plans.
- Clearly delineate seismic design, water reliability, and drought supply standards. The capital improvement program should be flexible enough to adapt to higher water treatment standards in the future. An analysis should be conducted of whether system replacement every 100 years is an acceptable life cycle.
- Explain to the public the reasons for potential uncertainties in project cost estimates in order to allay public concerns about budget overruns.

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[3] The panel members were (a) Jim Chappell, SPUR, (b) Margaret Bruce, Silicon Valley Manufacturing Group, (c) Dennis Diemer, East Bay Municipal Utility District, (d) David Dowall, University of California, (e) Jeanne Myerson, San Francisco Chamber of Commerce, (f) John Wise, Natural History Institute, and (g) Greg Zlotnick, Santa Clara Valley Water District.

- Report on the projects planned and completed pursuant to Propositions A and B[4], as well as an assessment of who those projects relate to the capital improvement program.
- Develop a larger policy context to guide implementation and define priorities in terms of environmental stewardship, environmental justice, stakeholder involvement, the PUC's role, regional service commitments, integrated resource planning, and regional crisis planning. Once policies and goals are established, they should be translated into performance measures.
- Streamline contracting procedures and incorporate penalties for cost overruns, sharing of cost savings, and bonuses for completion ahead of schedule.
- Clearly differentiate between projects which require permanent staff (for ongoing utility functions) and projects which require consultants (for time-defined tasks).
- Develop a rate structure which includes incentives for suburban customers to reduce peak water usage. Reduction of future peak demands could reduce the size of future facilities and, therefore, capital improvement program costs.
- Take account in the long-range financial plan of lower interest rates for bond money.

[4] In November of 1997, voters approved $157,000,000 of Water System Reliability and Seismic Safety Bonds and $147,000,000 of Safe Drinking Water Revenue Bonds, for a total of $304,000,000. According to Ms. Ostberg, the PUC spent the first 18 months planning and designing the construction projects and putting a commercial paper program into place. While the ordinances indicated that revenue bonds would be the ultimate funding source for the projects authorized by Propositions A and B, from July of 1999 the PUC used commercial paper to fund the initial expenditures because commercial paper provided greater flexibility and lower interest rates. The PUC issued $140,000,000 of these bonds in August of 2001, of which approximately $85,000,000 was used to refund outstanding commercial paper notes, and the remaining $164,000,000 is anticipated to be sold in FY 2002-03. The proceeds of that second issue will, after payment of issuance costs, be used to retire all outstanding commercial paper notes, and the remainder will be applied towards approved Proposition A and B projects. Of the seismic and safety projects, at February 28, 2002. 35 percent were complete, 57 percent were underway, and 8 percent had not been started. Of the water quality projects, at February 28, 2002. 28 percent were complete and 72 percent were underway.

APPENDIX 2: FINANCING ISSUES

Water Enterprise Credit Rating

On June 10, 2002, the Budget Analyst issued a *Review of Best Practices for Financing Large Capital Improvement Projects at Municipal Utilities in the State of California,* which was prepared in conjunction with the Legislative Analyst's Office, the Mayor's Director of Public Finance, and the PUC. In that report, the Budget Analyst concluded that the Proposition H rate freeze has had a negative impact on the Water Enterprise's credit ratings.

Prior to the rate freeze, Moody's rated the Water Enterprise as "Aa" and Standard and Poor's rated the Water Enterprise as "AA with a stable outlook." Now, Moody's rates the Water Enterprise as "A1" and Standard and Poor's rates it as "A+ with a stable outlook." Of the 12 major Californian public utilities surveyed by the Legislative Analyst's Office, the Water Enterprise (in combination with the Clean Water Enterprise) had the lowest Moody's and Standard and Poor's ratings. Both rating agencies advised the Legislative Analyst's Office that ratings upgrades would not occur until the Water Enterprise's financial profiles, as measured by factors such as debt service ratios, improve dramatically, coupled with reassurances that the capital improvement program would be implemented and supported with a credible and sustainable financial plan. Such financial improvements could only occur by increasing water service rates and obtaining rate-making authority to further increase water service rates in the future in order to ensure financial stability, flexibility over capital improvement program implementation, and funding authorization.

Financial projections for the Water Enterprise indicate that its financial viability will largely be maintained through FY 2006-2007, and that the City will be able to meet the debt service coverage requirements contained in the Water Revenue Bond covenants[1]. However, these projections do not include funding the capital improvement program's water projects. The Mayor's Director of Public Finance, Ms. Monique Moyer, estimated that the Water Enterprise's lowered credit ratings would result in a 0.2 percent increase in interest rates if the PUC issued new revenue bonds today, which is $2,000,000 of additional debt service annually for every $1 billion of revenue bonds issued.

[1] Debt service coverage requirements in the revenue bond indentures require that net revenues, together with unappropriated fund balances, in each fiscal year must be equal to at least 1.25 times more than the revenue bond annual debt service due in that fiscal year.

Other Financing Options if Insufficient Voter Support

According to the *Long-Range Financial Plan*, without additional voter-approved debt, capital investment in the water system will be limited to the approximately $20,000,000 annually which can be supported by operating revenues. Attachment I, provided by the PUC, explains the full range of options available to the PUC if the proposed bond measure was not passed by the voters. These options are:

- Delaying projects until voter approval is secured.
- Delaying replacement and repair projects until after the July 1, 2006 expiration of the Proposition H rate freeze, at which time three-quarters of the Board of Supervisors could approve such projects (barring any other voter-imposed restriction).
- Losing PUC control of the regional water system to a regional financing authority.

The Budget Analyst notes that there is also the option of entering into an agreement with regional water service customers, and perhaps with the State, to permit regional participants to directly finance regional projects and jointly assume the risks involved. Under this scenario, the city would pay one-third of the cost of such projects by making payments to a Joint Powers Authority formed by its customers. This approach would raise issues about the ownership of improvements, operation of the regional system, and the governance and powers of the Joint Powers Authority.

Charter Section 9.107

There are exceptions to the voter approval requirement of Charter Section 9.107 which mandates that the issuance of revenue bonds for the water system be approved by a simple majority of the electorate. Revenue bonds can be issued for the water system with a three quarters approval of the Board of Supervisors if the proceeds of such bonds are used to: (a) comply with a State or Federal order, (b) reconstruct or replace existing water facilities under the PUC's jurisdiction, or (c) create or maintain alternative energy sources.

In Attachment I, Mr. Bill Berry of the PUC advises that "a portion of the projects for the local water system qualify for financing pursuant to this provision." However, Mr. Berry notes, as a result of the Proposition H rate freeze, rates could not be raised to fund debt service on bonds that do not have voter approval. Therefore, issuance of bonds under Charter Section 9.107 would be restricted until after July 1, 2006, and could be restricted by future voter action.

Attachment I
Page 1 of 6

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 3, 2002

TO: Board of Supervisors' Budget Analyst cc: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: Water Bond Measure (File 02-0910)

Summary

This memorandum is intended to respond to certain questions raised by the Board of Supervisors' Budget Analyst in its review of the proposed bond measure for the Water Enterprise.

Follow-up to RW Beck & Blue Ribbon Panel

As noted in the Budget Analyst's report, the SFPUC retained RW Beck to review its proposed Capital Improvement Program and Long-Range Financial Plan. RW Beck was selected by the SFPUC based on Beck's national reputation for providing independent reviews associated with Bond Financings and capital programs in the water and wastewater areas, and because RW Beck had not provided other consulting or engineering services to the SFPUC in the past.

RW Beck's report provides a review of three areas:

- CIP Process: RW Beck reviewed the development and validity of the CIP as proposed by SFPUC staff.
- CIP Implementation: RW Beck reviewed the SFPUC's ability to successfully deliver the proposed program in an efficient and timely manner.
- CIP Revenue Requirements: RW Beck reviewed the proposed Long-Range Financial Plan.

In general, RW Beck concluded that the proposed CIP was developed through a Comprehensive Process, that the CIP projects are good and necessary, and that the CIP effort and level exceeded the norm. In addition, RW Beck concluded that the LRFP was logically constructed and functionally correct, and that the financial assumptions are reasonable.

In its review of CIP implementation, RW Beck noted a number of challenges, including leadership concerns, staffing and hiring, and concerns related to the SFPUC's program management consultant. RW Beck provided a number of specific recommendations, with which the SFPUC concurs completely. The SFPUC has already initiated follow-up in a number of key areas:

- Leadership: The SFPUC has hired Don Birrer (formerly Executive Director of the Clean Water Program and General Manager of the SFPUC) as Interim Assistant General Manager for Infrastructure to provide high-level leadership to the CIP. The SFPUC's new CIP Group and its Utilities Engineering Bureau, led by Karen Kubick and Michael Quan, respectively, will report to Mr. Birrer. In addition, the SFPUC has a recruitment effort underway to identify and hire a permanent AGM for Infrastructure,

with the expectation that this process will be completed by the end of September 2002.

- Program Management Consultant: With the concurrence of the Board of Supervisors, the SFPUC has retained the Water Infrastructure Partners, led by Jacobs Engineering and Primus Inc., as its program management consultant following the departure of Bechtel from the San Francisco Water Alliance joint venture.
- Staffing and Hiring: The SFPUC has undertaken a concerted effort to identify and hire qualified candidates to fill positions critical to implementing the capital improvement program. The initial results of a widespread recruiting effort are encouraging and we expect to have the key positions filled within the next few months.
- Other Recommendations: The SFPUC concurs with most of the implementation-related recommendations from RW Beck and is committed to implementing them under the direction of the AGM for Infrastructure and with the support of other departments of the SFPUC.

As noted in the Budget Analyst's report, an independent Blue Ribbon Panel, at the request of the SFPUC's General Manager, reviewed the RW Beck evaluation. In addition to their conclusions about the excellent quality of RW Beck's review, the Panel provided a number of policy recommendations to the Commission. The SFPUC concurs with these recommendations and plans to implement them.

POTENTIAL IMPACT OF STATE LEGISLATION

The Budget Analyst's report notes the three bills under consideration by the California State Legislature that could impact San Francisco's control and operation of the Hetch Hetchy Water System. These bills are further described below:

- **SB 1870 (sponsored by State Senator Jackie Speier)**: This bill has been approved by the State Senate, is now pending in the Assembly, and the Governor has indicated his intention to sign it. Effective January 1, 2003, SB1870 would establish the San Francisco Bay Area Regional Water System Financing Authority to assist in financing construction of projects on the regional Hetch Hetchy system. Upon passage, it would be possible for the Authority to issue revenue bonds on behalf of the wholesale customers of the water system to finance regional projects. The Senate has approved this legislation, but passage by the Assembly is not expected until August. The Governor has indicated he will sign it.

  This could effectively reduce the proposed bond measure by approximately $2 billion. It would still be necessary, however, for San Francisco voters to approve bond financing for the San Francisco share of the cost of capital improvement projects on the regional system (approximately $900 million for the proposed CIP) and to fund projects related to the local distribution system (estimated at $715 million).
- **AB1823 (sponsored by Assemblyman Lou Papan)**: AB1823 would require the City to adopt a Capital Improvement Program and Emergency Response Plan by February 2003. The City would be required to complete nine specific regional water projects within a specific timeframe contained within the bill. The entire regional Capital Improvement Program would be subject to oversight by the State Department of Health Services (DHS), a role that heretofore they have not performed nor are equipped to perform within the state. The bill also further extends this DHS oversight on the operation and maintenance of the regional water system, including budgets and power operations. There are many other portions of the bill that the City has also found to be disagreeable. The City continues to oppose this bill

AB2058 (sponsored by Assemblyman Lou Papan): AB2058 creates the Bay Area Water Supply and Conservation Agency, which would have the ability to plan, finance, build, and operate facilities for collection, transmission, reclamation, reuse, and conservation. The Agency could also acquire water and water rights, develop and store water, and sell water.

If SB 1870 (Speier) were enacted, the San Francisco Bay Area Regional water System Financing Authority would be charged with issuing revenue bonds for the SFPUC's Regional Water Capital Improvement Program. In contrast, the Agency created by AB 2058 would be able to build various local water projects for the 29 wholesale customers who have agreed to participate in the authority, separate and distinct from the Hetch Hetchy system, AB 2058 would not impact the SFPUC's CIP.

R&R PROJECT FINANCING WITHOUT VOTER APPROVAL (CHARTER SECTION 9)

Under Charter Section 9.107, the SFPUC may, upon vote of three-quarters of the Board of Supervisors, issue revenue bonds "for the purpose of the reconstruction or replacement of existing water facilities" (R&R Bonds). As a result of the Proposition H rate freeze, rates could not be raised to fund debt service on bonds that do not have voter approval. Therefore, issuance of bonds under this provision of the Charter is restricted until after July 1, 2006, and could be further restricted by future voter action.

A portion of the projects for the local water system qualify for financing pursuant to this provision (an opinion of the City Attorney and Bond Counsel has been requested to further refine eligibility requirements). Therefore, it would be possible for the Board (upon the vote of three-quarters of the members) to approve the issuance of bonds for eligible projects beginning in four years. Voter approval would be necessary for non-R&R projects, or the bulk of regional facilities, local recycling projects, and selected other projects.

AVAILABLE OPTIONS IF BOND MEASURE FAILS

While there is evidence of strong public support for a bond measure intended to protect the water system, the following options are available if the proposed bond measure fails:

- Non-R&R projects would have to be delayed until voter approval is secured.
- Projects eligible for R&R status could be approved by three-quarters of the Board members for issuance after expiration of the Proposition H rate freeze. The CIP would have to be delayed until that time.
- Given the need to complete regional system capital projects, there is a risk that the State Legislature would adopt legislation removing SFPUC control of the regional water system, authorizing the issuance of revenue bonds by the Financing Authority, and requiring surcharges for San Francisco retail customers to cover their allocable share of debt service on bonds,

CIAC-RELATED QUESTIONS

The Budget Analyst's report notes certain questions raised by the Controller and the Mayor's Director of Public Finance at the June 28, 2002, meeting of the Capital Improvement Advisory Committee (CIAC). While the SFPUC is meeting with the Controller and Director on July 3, 2002, to further discuss their concerns, the SFPUC believes that its CIP and Long-Range Financial Plan provide the most reasonable method of estimating future costs and providing for uncertainty in inflation, interest rate and other assumptions. A discussion of the specific questions mentioned in the Budget Analyst's report is provided below:

- SIZE OF PROPOSED BOND MEASURE: The Commission has requested the Board place a $3.6 billion bond measure on the November ballot to finance water system

improvements. As noted elsewhere in this memorandum, the creation of a Regional Financing Authority by SB1870 would provide a new mechanism for financing the share of costs supported by our wholesale customers, and reduce the required bond authorization to approximately $1.6 billion. The SFPUC is reasonably certain that this legislation will be approved and is willing to consider a reduction in the proposed ballot measure authorization at this time.

The Controller and Finance Director have questioned whether the proposed bond authorization might be reduced by changes in various assumptions, including some discussed below. It is important to note that our Long-Range Financial Plan provides a conservative estimate of future costs based on the cost estimates for capital projects contained in the CIP. We recognize that actual results will vary based on a variety of factors, and that we cannot provide certainty that the estimates provided for this program will be achieved. Nevertheless, it is important to let our ratepayers know what kind of rate increases they can expect to fund this program. If the proposed projects are executed according to the CIP schedule, the current LRFP provides the best estimate of the amount of required bonds and rate impacts.

- **IMPACT OF PROPOSED LEGISLATION**: The potential impact of the proposed Speier Legislation (SB1870) on the amount of bonds required has been addressed elsewhere in this memorandum. Financing projects on behalf of the regional wholesale customers using this mechanism represents a significant change in approach. Currently, costs allocated to the wholesale customers based on the Master Water Sales Contract. In general, projects must be completed and placed into service before the wholesale customers begin paying. The City must finance projects prior to that time, although capitalized interest is assumed during construction so as not to burden City ratepayers.

  On the other hand, after projects are placed in rate base, the wholesale customers pay a rate of return (based on the City's embedded cost of capital) and straight-line depreciation. The City recovers its full cost over the life of an asset using this methodology. However, the initial combination of rate of return plus depreciation exceeds the City's incremental debt service attributable to the wholesale customer's two-thirds share of project costs. This "extra" revenue has been used to keep rates for City customers lower than they would be if all customers, retail and wholesale, paid a *pro rata* share of debt service at all times.

  Therefore, one impact of financing wholesale costs under SB1870 will be somewhat higher rate increase estimates for City customers in the future. The SFPUC believes that this impact can be offset somewhat by the use of capitalized interest to phase in debt service costs gradually.

  Note that the change in methodology would not result in a shifting of the long-term burden of costs between City and wholesale customers, as the wholesale customers pay their full share of costs under the Contract.

- **CONSERVATIVE ASSUMPTIONS — CONTINGENCY AND MANAGEMENT RESERVES**: The CIP is built on cost estimates for each of the 77 individual projects in 2003 dollars. These costs are escalated based on the length of construction for each project and a three percent annual inflation rate. There is an expected variance on each project cost estimate because the projects have not completed final design and engineering. The San Francisco Water Alliance reviewed each estimate and conducted a statistical analysis to determine what the variability of the cost estimate for the entire program of 77 projects would be. They recommended a total 16 percent contingency and reserves to provide a 75 percent confidence of delivering the entire program within the overall cost estimate. Therefore, the program contains $409 million of

contingency and reserves for this purpose. These provide a measure of protection against cost overruns on individual projects and unforeseen events or changes in regulations. Contingencies of this nature are recommended for capital projects and programs, and the SFPUC believes the level of such funds for this CIP is appropriate. This belief has been confirmed by the independent engineering firm, RW Beck, that reviewed the CIP and LRFP.

- **AMOUNT OF CAPITALIZED INTEREST:** The LRFP assumes that interest will be capitalized for two years at the bond interest rate (5.5 percent) for each capital project. Without capitalized interest, it would be necessary to raise rates earlier and in greater amounts than is shown in the LRFP. The Controller questioned whether the capitalized interest assumption is based on the fact that City ratepayers must "carry" the cost for wholesale customers while projects are under construction. Capitalized interest is necessary irrespective of this factor. Without it, rates would have to be increased more quickly. In addition, if the projects for the Suburban customers are financed through the Financing Authority, as expected, capitalized interest will be more necessary to protect City ratepayers against higher rate increases required as a result of the loss of the incremental subsidy provided by the wholesale customers under the Contract.

  The capitalized interest amounts are conservative in a different sense, however. It is assumed that interest will be capitalized at the bond rate. It is the SFPUC's expectation that we will use commercial paper or other short term instruments to fund a portion of construction costs. CP carries significantly lower interest rates. However, the SFPUC has chosen to assume the higher costs because it cannot be assured of access to the credit and liquidity markets for CP at all times. Nevertheless, to the extent CP is used, the SFPUC would need to issue fewer bonds than assumed by the LRFP. Note that RW Beck recommended the SFPUC capitalize interest for three rather than two years. The SFPUC believes that the use of CP mitigates against the need to increase the amount of capitalized interest assumed in the LRFP.

- **IMPACT OF PROPOSITION H OR SUBSEQUENT REFERENDA:** Proposition H effectively freezes rates at 1998 levels through fiscal year 2006. There remains the possibility of a similar measure taking effect in future years which would inhibit SFPUC's ability to raise rates to support bonds necessary to finance essential improvements to the system.

- **ALTERNATIVE SCENARIOS USING CHARTER SECTION 9.107 R&R BONDS WITHOUT VOTER APPROVAL:** There are some projects which, in our opinion, may be qualified as "reconstruction" projects and as such could be financed without voter approval pursuant to the Charter. (We have requested the City Attorney to formally define "reconstruction" projects as it relates to the Charter.) However, bonds can only be supported by an increase in rates, which cannot occur under the terms of Proposition H period.

FIRE DEPARTMENT AWSS SYSTEM

The Fire Department's Auxiliary Water Supply System (AWSS) is functionally independent of the SFPUC's water distribution system. The AWSS storage facilities – Twin Peaks Reservoir, Jones Street Tank and Ashbury Tank – are filled with potable water form the PUC system, however, once the water enters the AWSS system it is no longer potable. There are no other physical connections between the two systems.

The AWSS system was conceived following the 1906 earthquake and fire. The AWSS system is designed to withstand higher water pressures and ground movement than the SFPUC's potable water system. In addition to the system's storage facilities, the AWSS can be supplied with salt water by the Fire Department's two pump stations or by fire boats through manifolds on the water front.

The AWSS system does not cover the entire City. The system coverage is most dense in the area north of Mission Street and east of Van Ness Avenue. Where it is available, however, it is routinely used by the SFFD in lieu of, or as a complement to, the water supply available through the SFPUC's distribution system. The AWSS's larger diameter lines and higher pressures make it a more effective fire fighting tool.

The vast majority of the work proposed in the CIP is in the regional water system, local storage, and local transmission systems. Transmission lines convey water to and between storage facilities, and distribution lines convey water to customers. The Fire Department's low pressure hydrants are connected to the SFPUC's distribution lines.

In summary,, the proposed CIP, because of it emphasis on regional water supply and transmission, will not significantly effect, either positively or negatively, the performance or reliability of the Fire Department's AWSS. Nor will the CIP include improvements to the local water distribution system such that it would improve the reliability or performance of the AWSS.

If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 10, 2002

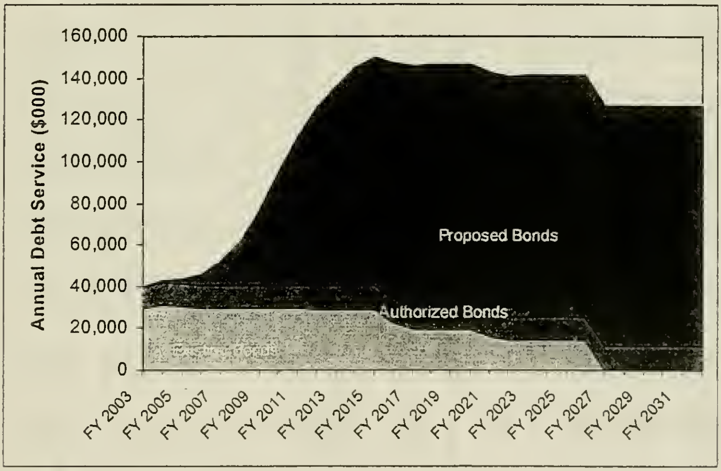
TO: Board of Supervisors' Budget Analyst **cc:** Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: **Water Bond Measure (File 02-0910)**

The following illustrates the projected debt service relating to the Water Enterprise if the entire amount of $1.628 billion of proposed bonds are issued. Attached are the numerical data that supports this table.

Projected Water Debt Service



If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
Case 3 - FY 2003 Phase C Budget, Additional R&R, CIP Funded w/Additional Bonds & Rate Increases

Description	FY 2002 (estimate)	FY 2003 (budget)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Fund Balance--July 1	[illegible]	51,926,738	35,717,601	29,208,210	18,377,653	19,206,442	25,117,896	36,714,139	49,784,514	58,681,504	64,113,810	65,663,003	64,192,899	59,056,896
Revenue														
Retail Water Sales--existing rates	[illegible]	[illegible]	77,381,257	77,748,063	78,138,804	78,527,488	78,920,125	79,314,728	79,711,299	80,109,856	80,510,405	80,912,957	81,317,522	81,724,108
Retail Water Sales--rate increases			14,898,839	32,350,989	43,577,877	50,027,870	68,476,542	82,153,144	87,100,878	113,853,316	131,747,461	149,471,731	161,795,920	174,821,350
Wholesale Water Sales Revenue	77,038,000	77,779,000	78,529,000	79,289,000	84,418,020	85,455,100	87,505,536	89,003,172	91,749,195	83,944,741	96,190,008	98,489,059	100,840,233	103,245,732
Interest Income on Fund Balances	9,401,225	3,999,014	3,052,524	2,877,795	2,641,915	3,142,952	3,692,074	4,412,732	5,089,304	5,614,532	5,998,300	8,222,824	8,243,373	8,211,560
Other Miscellaneous Income	15,874,032	11,500,000	11,500,000	11,500,000	11,600,000	11,500,000	11,600,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Total Revenue	171,220,389	170,254,389	185,141,420	203,765,827	220,472,421	234,653,500	250,098,278	266,983,774	265,218,477	304,622,444	325,845,192	348,698,571	381,897,048	377,502,751
Operation and Maintenance Expenses														
Labor and Fringe Benefits	36,000,000	41,504,005	42,748,743	44,032,235	45,353,203	48,713,799	48,116,213	49,558,669	51,045,429	52,576,792	54,154,000	55,778,718	57,452,050	59,175,642
COWCAP	898,000	1,448,270	1,491,718	1,536,470	1,582,564	1,830,641	1,678,942	1,729,310	1,781,189	1,834,825	1,889,864	1,948,354	2,004,744	2,064,887
Non-Personal Services	3,648,000	8,382,265	8,573,733	8,770,945	6,974,073	7,183,295	7,398,794	2,620,768	7,849,381	8,084,862	8,327,408	8,577,230	8,834,547	9,099,584
Materials and Supplies	5,530,000	6,055,009	8,236,859	8,483,758	8,738,272	9,000,420	9,270,433	9,548,548	8,835,002	10,130,052	10,433,954	10,748,972	11,069,381	11,401,483
Equipment	2,800,000	2,443,435	2,516,738	2,592,240	2,670,007	2,750,108	2,832,611	2,917,589	3,005,117	3,095,270	3,188,128	3,283,772	3,382,285	3,483,754
Light, Heat, and Power	5,017,748	8,548,007	8,743,087	8,945,359	7,153,720	7,368,331	7,589,381	2,817,083	8,051,575	8,293,122	8,541,916	8,798,173	9,062,118	9,333,982
Services of SFPUC Bureaus	39,788,340	33,968,915	34,987,982	38,037,622	37,118,761	38,232,313	39,379,282	40,500,681	41,777,481	43,030,805	44,321,729	45,851,381	47,020,923	48,431,550
Services of Other Departments	7,660,835	7,642,571	7,768,848	8,001,914	8,241,971	8,489,230	8,743,907	9,008,224	9,278,411	8,554,703	9,841,344	10,136,585	10,440,682	10,753,903
Hetch Hetchy Assessment	19,037,000	19,037,000	19,008,110	20,100,353	20,802,244	21,426,311	22,060,101	22,731,174	23,413,109	24,115,502	24,838,007	25,584,138	28,351,600	27,142,210
Incremental O&M--CIP	-	-	-	-	-	1,824,620	2,330,141	4,997,109	10,939,728	12,230,865	12,597,585	12,975,513	13,364,778	13,785,721
Budget Close Outs	-	(1,058,917)	(1,110,685)	(1,144,005)	(1,178,320)	(1,213,675)	(1,250,086)	(1,287,588)	(1,326,218)	(1,368,002)	(1,408,982)	(1,449,192)	(1,492,668)	(1,537,448)
Total Operation and Maintenance Expense	122,179,823	123,869,820	129,505,914	133,452,892	137,456,478	143,504,793	148,167,719	155,199,514	165,648,205	171,580,397	178,727,809	182,029,843	187,490,532	193,115,248
Net Revenue	49,040,466	46,384,569	55,575,506	70,312,935	83,015,942	91,148,707	101,938,500	111,784,260	119,570,272	133,242,047	149,217,383	164,566,928	174,208,518	184,387,503
Debt Service														
Debt Service--Existing Bonds	28,664,434	29,381,663	30,800,813	30,075,756	29,380,430	29,398,145	29,399,259	29,385,383	29,356,200	29,322,050	29,307,500	29,293,007	29,297,900	29,309,787
Debt Service--Authorized Bonds	-	10,152,042	11,284,084	11,264,064	11,284,084	11,264,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084
Debt Service--Proposed Bonds	-	-	448,153	1,931,784	5,213,264	11,459,727	21,115,375	35,783,842	53,441,499	71,074,241	85,123,282	95,452,856	104,064,572	109,595,958
Capitalized Interest Fund Cash Flow--Proposed Bo	-	-	(416,417)	(1,764,812)	(4,307,938)	(8,337,202)	(13,537,332)	(20,185,800)	(26,144,518)	(27,005,800)	(21,620,805)	(14,800,972)	(11,298,985)	(18,881,234)
Reserve Fund Cash Flow--Proposed Bonds	-	-	(31,736)	(136,792)	(300,049)	(772,181)	(1,391,746)	(2,310,568)	(3,384,253)	(4,388,712)	(5,054,865)	(5,503,267)	(5,916,822)	(8,178,593)
Net Debt Service	28,664,434	39,513,704	42,084,896	41,359,842	41,208,790	43,030,573	46,869,640	53,936,923	64,653,012	00,305,863	98,730,100	115,640,168	127,433,749	135,149,987
Net Revenue After Debt Service	20,376,032	6,870,865	13,400,809	28,953,093	41,006,162	48,118,134	55,060,920	57,847,337	55,017,200	52,938,184	50,478,167	48,926,700	40,772,787	49,237,521
Revenue Funded Capital Projects														
Repair & Replacement Projects	144,031,000	23,060,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Additional Repair & Replacement Projects		-	-	19,783,750	20,977,263	22,208,580	23,472,778	24,778,001	26,120,270	27,503,878	28,928,994	30,306,864	31,908,770	33,460,033
Total Revenue Funded Capital Projects	144,031,000	23,000,000	20,000,000	39,783,750	40,977,263	42,208,500	43,472,778	44,776,001	48,120,270	47,503,878	48,928,994	50,398,864	81,908,770	53,468,033
Ending Fund Balance--June 30	51,926,736	35,717,601	29,208,210	18,377,553	19,206,442	25,117,000	36,714,139	49,784,514	58,681,504	64,113,810	85,663,003	84,192,899	59,058,896	54,828,383
Financial Performance Measurements														
Debt Service Coverage--Revenue Bonds--Indentur	7 836	2 488	2 169	2 406	2 460	2 565	2 711	2 753	2 623	2 300	2 161	1 991	1 871	1 801
Debt Service Coverage--Revenue Bonds- Current I	1 711	1 174	1 321	1 700	2 014	2 118	2 175	2 072	1 852	1 659	1 511	1 423	1 367	1 364
O&M Reserve--Beginning Fund Balance/O&M Budg	1 437	0 419	0 276	0 219	0 134	0 138	0 172	0 244	0 322	0 368	0 381	0 388	0 369	0 320
REVENUE ASSUMPTIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual Rate Adjustments from Solutions Sheet														
Convert to Annual % Increase (Directly Used)			19 00%	19 00%	10 00%	10 00%	9 00%	9 00%	9 00%	9 00%	9 00%	8 00%	5 00%	5 00%
Calculate Cumulative % Increase (Directly Used)			19 00%	41 81%	55 77%	71 35%	66 77%	103 58%	121 90%	141 87%	163 64%	184 73%	198 97%	213 92%
Average Monthly Retail Water Bill	[illegible]	[illegible]	$ 17 18	$ 20 42	$ 22 46	$ 24 71	$ 28 93	$ 29 35	$ 32 00	$ 34 88	$ 38 01	$ 41 06	$ 43 11	$ 45 28
Compounded Annual Growth Rate in Avg Bill		8 00%	13 00%	15 43%	14 05%	13 22%	12 51%	12 00%	11 62%	11 33%	11 09%	10 81%	10 31%	9 89%
Projected Suburban Water Sales (Ccf)	86,181,000	87,043,000	87,913,000	88,792,000	89,660,000	00,577,000	91,483,000	92,398,000	93,322,000	94,255,000	95,198,000	00,150,000	97,112,000	98,083,000
Annual Percentage Increase			-1 91%	0 00%	5 63%	0 27%	1 46%	1 48%	1 45%	1 45%	1 45%	1 44%	1 44%	1 44%
Cumulative Percentage Increase			-1 95%	-1 95%	3 71%	3 99%	5 64%	7 11%	8 70%	10 31%	11 94%	13 59%	15 26%	16 94%
Unit Cost Net of Service Charge ($/Ccf)	[illegible]	[illegible]	$ 0 86	$ 0 00	$ 0 81	$ 0 91	$ 0 93	$ 0 94	$ 0 95	$ 0 97	$ 0 98	$ 1 00	$ 1 01	$ 1 03
Compounded Annual Growth Rate in Unit Cost		0 00%	-0 00%	-0 84%	0 89%	0 77%	0 88%	0 96%	1 03%	1 07%	1 11%	1 14%	1 16%	1 19%

SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
Case 3 - FY 2003 Phase C Budget, Additional R&R, CIP Funded w/Additional Bonds & Rate Increases

Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Beginning Fund Balance--July 1	54,628,363	56,920,626	62,434,593	61,971,510	56,773,567	58,759,647	59,942,640
Revenue							
Retail Water Sales--existing rates	82,132,730	82,543,394	82,656,111	83,370,691	83,787,746	84,206,634	84,627,716
Retail Water Sales, rate increases	186,608,505	195,023,088	195,996,204	180,978,195	209,233,119	210,279,284	223,189,017
Wholesale Water Sales Revenue	105,706,829	108,224,827	110,801,082	113,438,699	116,133,736	118,693,919	121,716,183
Interest Income on Fund Balances	8,319,216	8,617,994	6,772,748	6,892,525	8,760,941	8,907,154	7,344,503
Other Miscellaneous Income	11,500,000	11,500,000	11,500,000	11,600,000	11,600,000	11,500,006	11,500,000
Total Revenue	391,667,360	403,609,303	406,026,125	411,976,510	427,445,543	431,788,133	446,357,420
Operation and Maintenance Expenses							
Labor and Fringe Benefits	60,950,912	62,779,439	64,602,822	66,602,707	68,600,768	70,656,612	72,776,570
COWCAP	2,126,833	2,160,638	2,258,357	2,324,048	2,393,770	2,405,563	2,539,850
Non Personal Services	9,372,571	9,853,748	9,943,361	10,241,662	10,548,912	10,685,379	11,191,340
Materials and Supplies	11,743,507	12,095,612	12,458,686	12,832,447	13,217,420	13,613,943	14,022,381
Equipment	3,586,267	3,695,915	3,808,792	3,920,960	4,038,826	4,159,765	4,264,876
Light, Heat and Power	9,614,001	9,902,421	10,199,494	10,505,479	10,620,843	11,145,202	11,479,820
Services of SFPUC Bureaus	40,864,497	61,381,032	52,022,463	54,510,137	56,145,441	57,820,804	69,584,698
Services of Other Departments	11,078,520	11,406,615	11,751,060	12,103,612	12,468,721	12,840,722	13,225,944
Hetch Hetchy Assessment	27,950,478	26,795,171	29,659,028	30,548,760	31,485,280	32,409,218	33,361,495
Incremental O&M - CIP	14,178,893	14,604,054	15,042,175	15,493,441	15,958,244	18,436,991	18,930,101
Budget Close Outs	(1,563,571)	(1,831,078)	(1,660,011)	(1,730,411)	(1,762,323)	(1,635,793)	(1,890,687)
Total Operation and Maintenance Expense	198,906,706	204,875,967	211,022,246	217,352,913	223,673,501	230,569,700	237,507,397
Net Revenue	102,756,554	199,033,336	197,005,879	194,825,597	203,672,042	201,196,427	210,850,023
Debt Service							
Debt Service - Existing Bonds	22,667,533	19,353,617	19,476,187	19,411,867	19,366,633	15,936,833	14,233,083
Debt Service - Authorized Bonds	11,284,084	11,284,064	11,284,084	11,284,064	11,264,064	11,284,064	11,284,084
Debt Service - Proposed Bonds	113,916,343	114,632,596	115,134,415	115,292,356	115,292,356	115,292,358	115,202,356
Capitalized Interest Fund Cash Flow - Proposed Bo	(5,069,563)	(2,132,061)	(510,402)	-	-	-	-
Reserve Fund Cash Flow - Proposed Bonds	(8,302,181)	(8,341,080)	(8,341,080)	(8,341,000)	(8,341,080)	(8,341,080)	(8,341,080)
Net Debt Service	135,596,195	136,797,458	139,045,184	139,647,026	139,604,195	136,172,195	134,456,445
Net Revenue After Debt Service	57,162,459	62,235,880	57,960,695	54,978,568	63,067,847	65,024,232	76,361,570
Revenue Funded Capital Projects							
Repair & Replacement Projects	20,060,060	20,000,000	20,000,000	20,000,060	20,060,000	20,000,000	20,000,000
Additional Repair & Replacement Projects	35,070,014	38,722,115	38,423,776	40,176,491	41,961,766	43,641,240	45,750,477
Total Revenue Funded Capital Projects	55,070,014	58,722,115	58,423,776	60,176,491	61,961,768	63,641,240	65,756,477
Ending Fund Balance - June 30	58,920,626	62,434,593	61,971,510	50,773,567	58,759,647	59,942,640	70,567,741
Financial Performance Measurements							
Debt Service Coverage - Revenue Bonds - Indenture	1 826	1 871	1 866	1 837	1 868	1 806	2 014
Debt Service Coverage - Revenue Bonds - Current I	1 422	1 455	1 417	1 391	1 458	1 476	1 558
O&M Reserve - Beginning Fund Balance/O&M Budg	0 297	0 298	0 319	0 307	0 273	0 274	0 272
REVENUE ASSUMPTIONS	2016	2017	2018	2019	2020	2021	2022
Annual Rate Adjustments from Solutions Sheet							
Current to Annual % Increase (Directly Used)	4 60%	3 00%	0 00%	0 00%	4 00%	9 00%	4 00%
Calculate Cumulative % Increase (Directly Used)	228 47%	238 27%	238 27%	238 27%	249 72%	249 72%	263 71%
Average Monthly Retail Water Bill	$ 47 07	$ 48 46	$ 48 49	$ 48 49	$ 50 43	$ 50 43	$ 52 44
Compounded Annual Growth Rate of Avg Bill	9 46%	9 02%	8 43%	7 92%	7 70%	7 28%	7 11%
Projected Suburban Water Sales (Ccf)	99,064,000	100,055,000	101,050,000	102,007,600	103,066,000	104,119,600	105,160,000
Annual Percentage Increase	1 43%	1 43%	1 43%	1 42%	1 42%	1 42%	1 41%
Cumulative Percentage Increase	18 65%	20 38%	22 13%	23 80%	25 89%	27 60%	29 34%
Unit Cost Net of Service Charge ($/Ccf)	$ 1 04	$ 1 00	$ 1 07	$ 1 09	$ 1 10	$ 1.12	$ 1 13
Compounded Annual Growth Rate in Unit Cost	1 20%	1 22%	1 23%	1 24%	1 25%	1 25%	1 27%

Description	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Beginning Fund Balance--July 1	70,567,741	78,918,075	78,599,162	88,118,095	92,746,315	108,736,261	115,814,451	118,015,634	116,143,704	106,772,149
Revenue										
Retail Water Sales--existing rates	85,050,850	85,476,111	85,903,491	86,333,909	86,764,674	87,198,497	87,634,490	88,072,862	88,513,025	88,955,590
Retail Water Sales, rate increases	224,284,662	225,408,260	239,030,760	240,225,944	241,427,074	242,634,208	243,847,380	245,068,617	246,291,950	247,523,410
Wholesale Water Sales Revenue	124,604,759	127,560,274	130,584,304	133,676,460	136,844,393	140,083,793	143,396,392	146,780,601	150,260,316	153,611,314
Interest Income on Fund Balances	7,788,759	7,993,925	8,427,313	6,790,562	9,253,114	9,609,977	19,132,560	19,199,794	9,989,067	9,478,620
Other Miscellaneous Income	11,500,600	11,500,000	11,560,000	11,500,000	11,500,000	11,560,600	11,500,000	11,500,000	11,500,000	11,500,000
Total Revenue	453,207,236	457,035,896	475,445,896	460,527,994	485,789,254	491,226,478	406,512,656	601,829,034	506,554,378	511,268,934
Operation and Maintenance Expenses										
Labor and Fringe Benefits	74,601,933	77,210,791	79,527,115	81,912,929	84,370,318	86,601,426	89,508,469	92,193,723	94,959,534	97,808,320
COWCAP	2,615,737	2,894,209	2,775,035	2,858,268	2,944,035	3,032,350	3,123,328	3,217,026	3,313,537	3,412,943
Non Personal Services	11,527,081	11,872,893	12,229,060	12,595,952	12,973,631	13,363,048	13,763,937	14,176,855	14,602,161	18,040,226
Materials and Supplies	14,443,032	14,878,323	15,322,813	15,782,291	18,255,780	16,743,432	17,248,735	17,783,107	16,296,001	16,844,861
Equipment	4,413,118	4,545,509	4,081,874	4,822,330	4,967,060	5,116,010	5,200,491	8,427,875	5,560,403	5,750,115
Light, Heat and Power	11,824,809	12,178,729	12,544,091	12,920,414	13,306,026	13,707,267	14,118,465	14,542,039	14,976,301	15,427,650
Services of SFPUC Bureaus	81,351,639	83,192,168	85,067,954	87,040,592	89,051,610	71,123,365	73,257,005	75,454,777	77,718,421	80,049,973
Services of Other Departments	13,622,722	14,031,404	14,452,348	14,865,918	15,332,494	15,792,469	16,266,243	16,754,230	17,258,857	17,774,563
Hetch Hetchy Assessment	34,382,940	35,414,426	36,478,861	37,571,156	38,698,301	39,859,250	41,055,028	42,280,879	43,555,279	44,861,936
Incremental O&M - CIP	17,436,604	17,961,144	18,499,976	19,054,978	19,626,627	20,215,426	20,621,689	21,446,545	22,089,942	22,752,840
Budget Close Outs	(1,947,593)	(2,008,020)	(2,068,201)	(2,126,167)	(2,192,033)	(2,257,794)	(2,325,526)	(2,395,293)	(2,467,152)	(2,541,187)
Total Operation and Maintenance Expense	244,632,819	251,971,597	259,530,745	267,316,566	275,336,166	283,560,253	292,104,140	300,687,285	309,893,262	319,160,081
Net Revenue	208,574,617	205,964,099	215,916,153	213,211,328	210,453,087	207,830,224	204,408,716	200,761,769	100,601,095	192,078,854
Debt Service										
Debt Service - Existing Bonds	14,259,750	14,268,563	14,309,000	14,334,250	-	-	-	-	-	-
Debt Service - Authorized Bonds	11,284,084	11,264,064	11,284,064	11,264,084	11,284,084	11,284,064	11,284,084	11,284,084	11,264,064	11,284,084
Debt Service - Proposed Bonds	115,292,356	115,292,356	115,292,358	115,292,356	115,292,356	115,292,358	115,292,356	115,292,356	115,202,358	115,202,358
Capitalized Interest Fund Cash Flow - Proposed Bo	-	-	-	-	-	-	-	-	-	-
Reserve Fund Cash Flow - Proposed Bonds	(8,341,080)	(8,341,080)	(8,341,080)	(8,341,080)	(8,341,080)	(8,341,080)	(8,341,080)	(8,341,080)	(8,341,080)	(8,341,080)
Net Debt Service	134,495,112	134,521,945	134,544,362	134,589,812	120,235,362	120,235,362	120,235,362	120,235,302	120,235,362	120,235,302
Net Revenue After Debt Service	74,079,505	71,442,153	81,370,791	78,641,715	90,217,725	87,394,602	84,173,368	80,520,407	78,425,734	71,841,492
Revenue Funded Capital Projects										
Repair & Replacement Projects	20,000,000	20,000,000	20,060,000	20,000,000	20,000,060	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Additional Repair & Replacement Projects	47,729,171	49,781,048	51,853,678	54,009,404	56,229,779	58,510,872	60,872,173	63,298,336	65,797,286	68,371,208
Total Revenue Funded Capital Projects	67,729,171	69,781,048	71,853,678	74,009,404	76,229,779	78,510,872	80,872,173	83,298,336	85,797,286	88,371,208
Ending Fund Balance - June 30	76,918,075	78,599,162	88,118,095	92,746,315	108,736,261	115,814,451	118,915,834	116,143,704	108,772,149	90,242,435
Financial Performance Measurements										
Debt Service Coverage - Revenue Bonds - Indenture	2 076	2 103	2 180	2 239	2 522	2 615	2 662	2 659	2 602	2 486
Debt Service Coverage - Revenue Bonds - Current I	1 551	1 531	1 605	1 584	1 750	1 727	1 700	1 670	1 630	1 508
O&M Reserve - Beginning Fund Balance/O&M Budg	0 311	0 329	0 326	0 355	0 363	0 405	0 428	0 426	0 404	0 360
REVENUE ASSUMPTIONS	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Annual Rate Adjustments from Solutions Sheet										
Current to Annual % Increase (Directly Used)	0 00%	0 00%	4 00%	0 00%	0 00%	0 00%	0 00%	0 00%	0 00%	0 00%
Calculate Cumulative % Increase (Directly Used)	263 71%	263 71%	278 26%	278 26%	278 26%	278 26%	278 26%	278 26%	278 26%	278 26%
Average Monthly Retail Water Bill	$ 52 44	$ 52 44	$ 54 54	$ 54 54	$ 54 54	$ 54 54	$ 54 54	$ 54 54	$ 54 54	$ 54 54
Compounded Annual Growth Rate of Avg Bill	8 78%	6 44%	8 34%	6 00%	5 61%	5 58%	5 37%	5 18%	4 99%	4 82%
Projected Suburban Water Sales (Ccf)	106,212,000	107,274,000	108,347,600	109,430,000	110,524,000	111,629,000	112,745,600	113,872,000	115,011,000	116,150,000
Annual Percentage Increase	1 41%	1 41%	1 41%	1 40%	1 40%	1 40%	1 40%	1 40%	1 39%	1 40%
Cumulative Percentage Increase	31 20%	33 06%	34 99%	36 91%	38 87%	40 84%	42 84%	44 87%	46 92%	49 01%
Unit Cost Net of Service Charge ($/Ccf)	$ 1 15	$ 1 16	$ 1 18	$ 1 20	$ 1 21	$ 1 23	$ 1 25	$ 1 27	$ 1 28	$ 1 30
Compounded Annual Growth Rate in Unit Cost	1 28%	1 28%	1 29%	1 29%	1 30%	1 30%	1 30%	1 31%	1 31%	1 31%

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 3, 2002

TO: Board of Supervisors' Budget Analyst

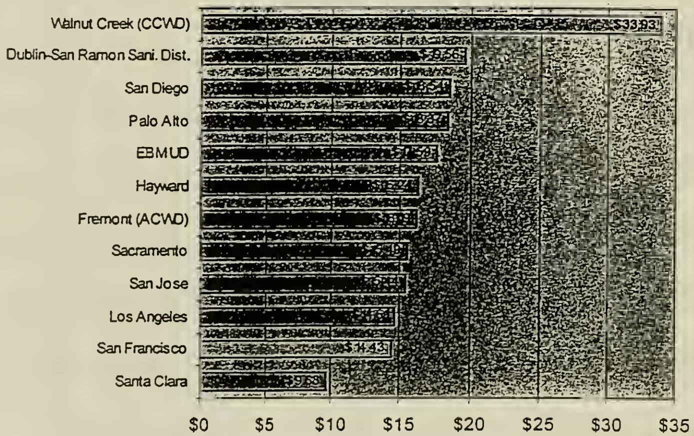
CC: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: **Water Bond Measure (File 02-0910)**

The following table compares the current monthly water bills of San Francisco to other California water utilities.

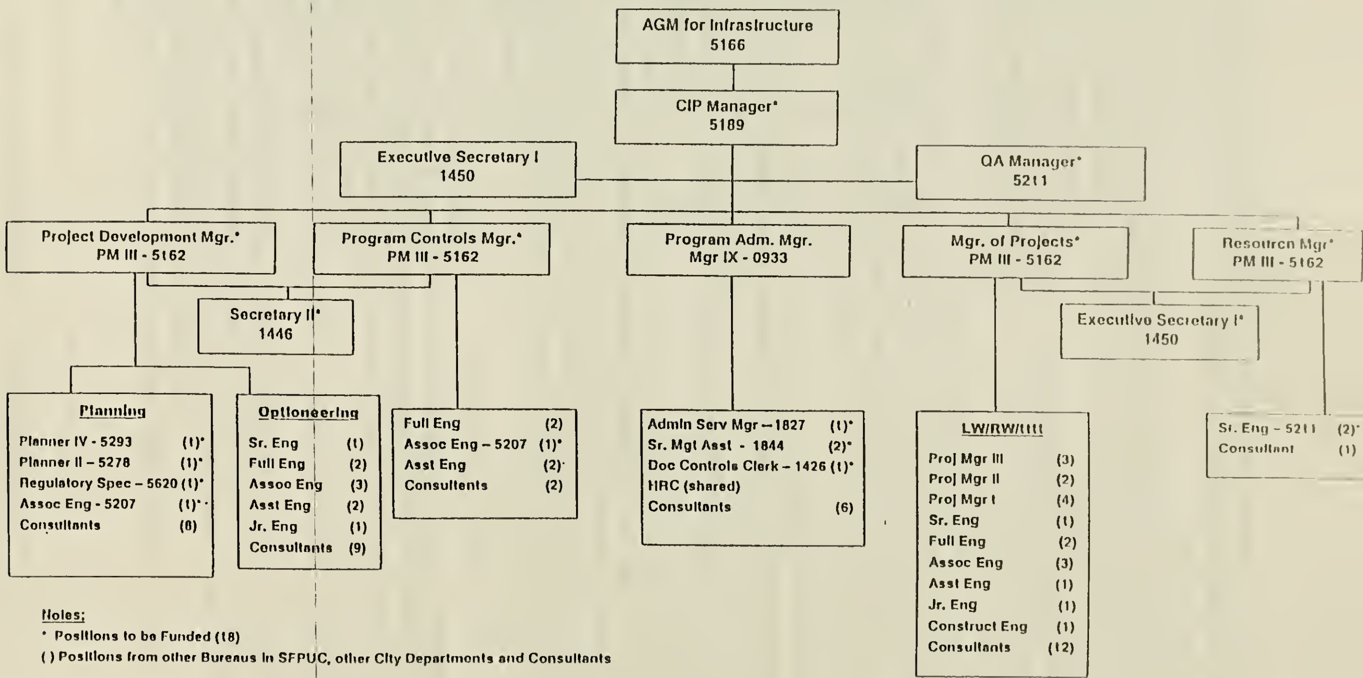
Comparison of Monthly Water Bills*



**Comparisons among utility rates are difficult, as some systems are subsidized by other tax receipts.*

If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

PROPOSED CIP STAFFING PLAN
July 1, 2002 – June 30, 2003



Notes:
* Positions to be Funded (18)
( ) Positions from other Bureaus in SFPUC, other City Departments and Consultants

FISCAL YEAR 2002/2003 CIP PROGRAM OBJECTIVES

The CIP will achieve the following objectives in Fiscal Year 02/03:

Program Planning:

- **Complete Phase I of the Facilities Implementation Plan** – model various alternative designs to determine constructability and related costs
- **Initiate CIP Environmental Review Process** – begin programmatic and project level EIR documentation to facilitate timely project implementation
- **Establish Prioritization Procedures** – implement annually to reflect current needs and changes in scope
- **Identify and Prioritize Critical CIP Projects** – facilitate the most critical projects moving ahead on a critical timeline
- **Develop Project Specific Request for Proposals (RFPs) for years 1 & 2** – procure specialty planning, design and construction management professional services
- **Establish CIP Performance Measurements** – measure program performance based upon budget, schedule, and operability

Develop Internal Procedures:

- **Create an Enterprise Work Breakdown Structure (WBS)** – Program Manager will control project scope, schedule, and budget through Project Controls using a WBS to capture and report project information, and provide current information to stakeholders
- **Develop Procedures for Updating the Annual CIP Budget** – develop process to provide current budget and schedule information to the SFPUC, the Board of Supervisors and the Stakeholders
- **Develop Change Order Control/Approval Process** – manage contracts and track budget more effectively on a real time basis
- **Develop Construction Management Procedures** – standardize documentation and control practices for project managers to more effectively manage projects during construction
- **Review Skills Inventory and Develop Staff Training Plan** – based upon the assessment of skills and CIP requirements, utilize staff from SFPUC, DPW, and other City Departments in the fields of engineering, project controls, project management and construction management, and provide training as appropriate

Develop and Implement Information Systems:

- **Select Project Control System** – track scope of work, budget expenditures, schedules and resource needs to provide a comprehensive, accurate, and timely program report to accommodate an enlarged database
- **Procure Project Control System** – acquire software license agreement and training
- **Develop Project Control System Implementation Plan** – develop a phased installation plan, to be implemented by the CIP staff, beginning with a pilot project to test and refine the Project Control System
- **Procure Electronic Timecard System** – this new system will replace the daily, manual timecards of engineering staff, by tracking project phases and engineering disciplines, to ensure more detailed, and timely reporting of labor costs

San Francisco Public Utilities Commission - Capital Improvement Program
Local Water Projects

($000's)

Project Title	Start Project	Construction Start	In Service Date	SFPUC Proposal Cost 2003 $
Non-R&R Projects				
Lincoln Way Transmission Line	2003	2005	2007	$11,175
Groundwater Projects	2003	2005	2007	13,706
Recycled Water	2003	2007	2010	102,735
Cross Town Transmission Main	2005	2007	2009	17,415
Sunset Circulation Improvements	2005	2007	2009	6,771
Fire Protection at CDD	2006	2008	2008	1,713
Key Motorized and Other Critical Valves	2006	2008	2009	11,945
Noe Valley Transmission Main Ph2	2006	2009	2010	8,736
SEWPCP - Water reclamation	2008	2010	2011	7,194
New Northwest Reservoir	2008	2010	2011	29,594
Lake Merced Pump Station Essential Upgrade	2009	2012	2014	59,144
Total Non-R&R Projects				$270,128
R&R Projects with Construction Starting Before 10/2006				
Pump Station Upgrades (Summit)	2003	2005	2006	$4,914
Pump Station Upgrades (Crocker Amazon)	2003	2005	2006	2,829
Pump Station Upgrades (Lincoln Park)	2003	2005	2007	1,942
Res Rehab and Seismic Upgrade Summit	2003	2005	2007	16,190
Tank Rehab and Seismic Upgrade Lincoln Park	2003	2005	2007	1,698
Tank Rehab and Seismic Upgrade Le-Grande	2003	2004	2005	2,071
Total R&R Projects with Construction Starting Before 10/2006				$29,644
R&R Projects w/ Construction Starting After 10/2006				
Pump Station Upgrades (Palo Alto)	2004	2007	2008	$1,857
Pump Station Upgrades (Sky View - Aqua Vista))	2004	2007	2008	1,373
Pump Station Upgrades (Forest Knolls)	2004	2007	2008	2,466
Res Rehab and Seismis Upgrade Potrero H	2004	2006	2007	9,584
Tank Rehab and Seismic Upgrade Portero Heights	2004	2006	2007	2,049
Pump Station Upgrades (Mount Davidson)	2005	2008	2009	1,618
Tank Rehab and Seismic Upgrade Forest Knolls	2005	2006	2008	1,810
Vehicle Service & Facility Upgrade	2006	2008	2009	4,177
North University Mound System Upgrade	2006	2008	2010	18,351
Pump Station Upgrades (McLaren Park)	2006	2009	2010	5,038
Pump Station Upgrades (Potrero Heights)	2006	2008	2009	1,764
Pump Station Upgrades (Forest Hill)	2006	2008	2009	1,529
Tank Rehab and Seismic Upgrade Mount Davidson	2006	2008	2009	1,705
Tank Rehab and Seismic Upgrade Forest Hill	2006	2008	2009	2,270
Tank Rehab and Seismic Upgrade Hunters Point	2006	2007	2009	3,459
Res Rehab and Seismic Upgrade Hunters Point	2006	2008	2009	5,832
Reservoir Rehabilitation Stanford Heights	2006	2007	2009	9,519
Total R&R Projects w/ Construction Starting After 10/2006				$74,401
R&R Projects Starting After 10/2006				
Pump Station Upgrades (LeGrande)	2006	2009	2010	$2,332
Pump Station Upgrades (Vista Francisco)	2006	2009	2010	1,611
Tank Rehab and Seismic Upgrade McLaren #1	2006	2009	2010	6,899
Tank Rehab and Seismic Upgrade McLaren #2	2006	2009	2010	6,854
Fulton @ 6th Ave 30" Main Replacement	2007	2009	2011	3,578
Res Rehab and Seismic Upgrade Sutro	2009	2010	2012	22,407
Total R&R Projects Starting After 10/2006				$43,681
Total 2003 $ Project Costs				$417,854
Total Escalated Project Costs				$503,668
Total Bond Size (including contingency and financing costs)				$714,938

San Francisco Public Utilities Commission - Capital Improvement Program
Local Share of Regional Water Projects

($000's)

Project Title	Start Project	Construction Start	In Service Date	SFPUC Proposal Cost 2003 $
Non-R&R Projects				
Alameda Creek Fishery Enhancement	2003	2004	2007	$2,110
Calaveras Dam Replacement	2003	2006	2009	47,025
Crystal Springs Bypass Tunnel	2003	2007	2009	15,513
Irvington Tunnel Alternatives	2003	2006	2009	45,122
Pipeline Repair Plan & Readiness Imp	2003	2003	2004	1,056
Enlarge Sunol Treatment Capacity to 240 mgd	2004	2007	2009	25,699
SJPL No4 New	2004	2009	2011	122,698
Hetch Hetchy Advanced Disinfection - UV	2006	2010	2011	15,877
Bay Division Pipeline - Hydraulic Capacity Upgrade	2006	2010	2013	78,052
BDPL Nos 3 & 4 Cross Connections	2006	2009	2010	3,440
Lawrence Livermore Filtration	2008	2010	2011	565
Standby Power Facilities,Various Locations	2010	2012	2013	1,724
Installation of SCADA System (Phase II)	2010	2013	2014	9,002
San Andreas #3 P/L Installation	2010	2013	2014	7,940
Sunol Quarry Reservoirs	2011	2013	2014	2,790
Water System Automation (Hetch Hetchy)	2012	2014	2015	406
Total Non-R&R Projects				$379,018
R&R Projects with Construction Starting Before 10/2006				
SVWTP - New Treated Water Reservoir	2003	2006	2007	$14,728
San Antonio Pump Station / Emergency Power	2003	2005	2005	1,155
Tesla Portal Disinfection Facility	2004	2006	2008	3,296
HTWTP Short Term Improvements - Phase A	2004	2006	2007	939
Total R&R Projects with Construction Starting Before 10/2006				$20,119
R&R Projects with Construction Starting After 10/2006				
Seismic Upgrade Of BDPL's @Hayward Fault	2006	2009	2010	$13,168
Adit Leak Repairs(Crystal Springs / Calaveras Res)	2006	2007	2007	688
Crystal Springs PS and CS-SA PL Capacity	2006	2009	2011	18,236
Total R&R Projects with Construction Starting After 10/2006				$32,092
R&R Projects Starting After 10/2006				
BDPL #1 & #2 Repair of Caisson & Pipe Bridge	2007	2011	2013	$5,928
U.Mound Rsvr - Seismic Upgrade/Rehab (North Basin)	2007	2010	2011	20,225
HTWTP Short Term Improvements Phase B	2008	2011	2012	3,159
Lower Crystal Springs Dam Improvements	2009	2012	2014	5,295
Sunset Rsvr - Seismic Upgrade/Rehab (North Basin)	2009	2012	2014	14,062
HTWTP Long-Term Improvements	2011	2014	2016	11,722
Cross Connection Controls	2012	2014	2015	1,221
Early Intake Res-Resurface Dam (Hetch Hetcty)	2012	2014	2015	397
Early Intake Res-Spillway +Adj. Weir(Hetch Hetchy)	2012	2014	2015	510
Pulgas Reservoir Rehabilitation	2012	2015	2016	4,946
Capuchino Valve Lot capacity Improvements	2012	2015	2016	521
Mountain Tunnel Lining (Hetch Hetchy)	2012	2014	2015	770
Crystal Springs 2 PL Replacement (In City)	2012	2013	2015	18,496
Foothill Tunnel Repairs (Hetch Hetchy)	2012	2014	2015	957
Total R&R Projects Starting After 10/2006				$88,208
Total 2003 $ Project Costs				$519,437
Total Escalated Project Costs				$643,336
Total Bond Size (including contigency and financing costs)				$913,154

Item 3 – File 02-1136

Note: This item was continued by the Finance Committee at its meeting of July 10, 2002.

Department: Department of Administrative Services (DAS)

Item: Resolution concurring with the Controller's certification that Convention Facilities management, operation and maintenance services can be practically performed at the Bill Graham Civic Auditorium and the Moscone Center by a private contractor for a lower cost than similar work services performed by City and County employees.

Services to be Performed: Convention facilities management, operation and maintenance

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for convention facilities management, operations and maintenance services at the Bill Graham Civic Auditorium and Moscone Center for FY 2002-2003 would result in the estimated savings as follows:

City Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$9,344,185	$10,962,307
Fringe Benefits	2,374,657	2,580,342
Total	11,718,842	13,542,649
Contractual Services Costs	10,878,071	10,878,071
Estimated Savings	$840,771	$2,664,578

Comments: 1. Under an outside contract, the Moscone Joint Venture, consisting of SMG and Thigpen Limited, Inc., manages, operates and maintains the Bill Graham Civic

Auditorium and Moscone Center. Specifically, the Moscone Joint Venture's responsibilities include: (1) contracting with others for their use of the convention facilities; (2) promoting the use of the convention facilities; (3) conducting event management activities; and (4) maintaining the convention facilities and the equipment therein.

2. Convention facilities management, operation and maintenance services at the Bill Graham Civic Auditorium and Moscone Center were first certified as required by Charter Section 10.104 in FY 1982-1983 and have been contracted out continuously since then. According to Mr. John Noguchi of the Department of Administrative Services' Office of Convention Facilities Management, SMG, the private facility management company charged with operating the City's convention facilities, has been the contractor for these services since the Moscone Center opened in 1981. In 1993, SMG partnered with Thigpen Limited Inc., a minority business enterprise, creating the Moscone Joint Venture.

3. Mr. Noguchi reports that the Department awarded a five-year contract for the provision of convention facilities management, operations and maintenance services at the Bill Graham Civic Auditorium and Moscone Center to Moscone Joint Venture, effective July 1, 1999. The proposed resolution would approve the Controller's certification for the fourth fiscal year of the five-year contract, from July 1, 2002 to June 30, 2003. The proposed resolution, therefore, should be made retroactive to July 1, 2002.

4. The Contractual Services Cost used for the purpose of this analysis is the Moscone Joint Venture's projected FY 2002-2003 costs to provide convention facilities management, operation and maintenance services.

5. The Contractual Services Cost of $10,878,071 for FY 2002-2003 is $949,310 or 8.0 percent less than the FY 2001-2002 cost of $11,827,381. Attachment I to this report is a memorandum from Mr. Noguchi explaining the reasons for the decrease in the contractual services costs.

6. The Controller's supplemental questionnaire with the Department's responses is included as Attachment II to this report.

Recommendation:

1. Amend the proposed resolution to provide for retroactivity, as noted in Comment No. 3.

2. Approve the proposed resolution, as amended.

Attachment I

DEPARTMENT OF

ADMINISTRATIVE SERVICES

WILLIE L. BROWN, JR.
Mayor

RYAN L. BROOKS
Director

July 2, 2002

~~Matt Stokes~~
Office of the Budget Analyst
Board of Supervisors
City & County of San Francisco
1390 Market Street, Room 1025
San Francisco, CA 94102

Re: Convention Facilities Management
Prop J 2002-2003

Dear Matt,

Per your request, following is a brief statement summarizing the decrease in the management contractor's labor costs at the Moscone Center and Bill Graham Civic Auditorium for fiscal year 2002-2003.

In a Citywide effort to reduce the budget, Convention Facilities Management committed that beginning in fiscal year 2002-2003, costs associated with cleaning the exhibition floor would be transferred from the operator to the client. This service had historically been provided at no charge to the client. Service contractors, hired by the client to set up and dismantle shows, now have the added responsibility of cleaning the floor. This new arrangement accounts for the majority of the department's cost savings for fiscal year 2002-2003.

Please let me know if you have any questions or need further clarification.

Sincerely,

John T. Noguchi
Deputy Director
Convention Facilities Management
415-974-4027

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Convention Facilities Management (Administrative Services)

CONTRACT SERVICES: Operations

CONTRACT PERIOD: July 1, 2002 – June 30, 2003

(1) Who performed the activity/service prior to contracting out?

City

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

Employees went to work for the contractor.

(4) What percentage of City employees' time is spent of services to be contracted out?

0%

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

21 Years

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

1982-1983. Yes.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Contractor is a joint venture with a minority principal.

(8) Does the proposed contractor provide health insurance for its employees?

Yes

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Yes.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Yes.

Department Representative: John Noguchi

Telephone Number: 974-4027

Item 4 - File 02-1185

Department: Emergency Communications Department (ECD)

Item: Ordinance amending Section 755 of the San Francisco Business and Tax Regulations Code by increasing the Emergency Response Fee rates for standard telephone access lines from $1.00 to $1.25 per month, for trunk lines from $7.50 to $9.38 per month, and for high capacity trunk lines from $135 to $168.75 per month.

Description: The Emergency Response fee is imposed on all eligible[1] San Francisco telephone service subscribers to pay for emergency communication services. The Emergency Response Fees are charged to eligible single access line, trunk line and high capacity trunk line telephone subscribers through bills from telephone companies. Trunk lines and high capacity trunk lines are types of lines allowing multiple users access to local telephone service and therefore access to emergency communication services.

The proposed ordinance would amend the Business and Tax Regulations Code relating to the Emergency Response Fee assessed on commercial and residential telephone service subscribers by increasing the Emergency Response Fees for telephone subscribers who use standard access lines, trunk lines and high capacity trunk lines, commencing on December 1, 2002. The proposed ordinance provides that: (a) the fee for each eligible standard telephone access line would increase by $0.25 from $1.00 to $1.25 per month, or by 25 percent; (b) the fee for each eligible trunk line would increase by $1.88 from $7.50 to $9.38 per month, or by 25 percent; and (c) the fee for each high capacity trunk line would increase by $33.75 from $135 to $168.75 per month, or by 25 percent.

The Fees charged to telephone subscribers are collected by telephone service providers who in turn remit such Fee

[1]The Emergency Response Fee is not imposed on "exempt" telephone subscribers. "Exempt" subscribers include non-profit hospitals and educational organizations, lifeline customers, governmental agencies, the City, and coin-operated telephones.

revenues to the City. All Emergency Response Fee revenues are deposited to the Emergency Communications 911 Emergency Response Fund. Mr. Todd Rydstrom of the Controller's Office reports that as of the writing of this report, the unappropriated fund balance of the 911 Emergency Response Fund is $3,747,510. All Fees expended from the 911 Emergency Response Fund are subject to appropriation approval of the Board of Supervisors.

Comments:

1. Emergency Response Fees were last increased by the Board of Supervisors in May of 2002 from $5.00 per trunk line to $7.50 per trunk line per month and establishing a fee of $135 for each high capacity trunk line per month (File 02-0193). The fee for standard telephone access lines was not increased at that time. The previous ordinance approved by the Board of Supervisors also provided for the use of Emergency Response Fee revenues to pay for operating costs of the Emergency Communications Department. Previously Emergency Response Fees could only be used to fund capital expenditures for the Emergency Communications Center, including equipment, and the payment of debt service on bonds issued to fund capital projects. Also, the prior ordinance eliminated the sunset provisions related to the Fees, by deleting the provision which limited total Fee revenues to be collected by the City at $100,000,000, thereby resulting in an unlimited amount of Fee revenues which can be realized by the City in accordance with the proposed authorized Fee levels.

2. Mr. Rydstrom states that as of July 3, 2002, the Controller's Office projects Emergency Response Fee revenues of $14,658,488 for FY 2001-2002. Mr. Rydstrom further states that the Emergency Communications Department's proposed FY 2002-2003 budget includes estimated Emergency Response Fee revenues of $15,500,000 for FY 2002-2003, based on the existing fee levels.

3. Mr. Rydstrom advises that under this proposed ordinance, the Controller's Office projects Emergency Response Fee revenues of $17,521,250 for FY 2002-2003,

based on the proposed fee increases becoming effective as of December 1, 2002, or seven months of collection in FY 2002-2003 at the increased fee levels, resulting in additional revenue of $2,021,250 over the $15,500,000 in projected fee revenues to be collected under the existing Fees. The Budget Analyst concurs with the Controller's projections.

4. Ms. Julia Friedlander of the City Attorney's Office reports that the City can only collect fees equal to the costs for providing emergency communication services for the telephone subscribers who pay the fee. Therefore, the City's General Fund must cover the costs for emergency communication services for telephone users who are exempt from paying the Fee such as governmental agencies. As shown in the Attachment, provided by ECD, exempt users account for an estimated 17 percent of the telephone lines throughout San Francisco, which means the City's General Fund must provide at least 17 percent of the City's costs to provide emergency communications services. Mr. Rydstrom reports that the City's total estimated costs to provide emergency communications services for FY 2002-2003 is $30,997,163. Under the existing Fees, if the proposed ordinance were not approved, the General Fund would pay for an estimated $15,497,163 or 50.0 percent of such costs and the Emergency Response Fees would pay for an estimated $15,500,000 or 50.0 percent of the total FY 2002-2003 emergency communication services costs.

5. As noted above, the total estimated costs to provide emergency communications services for FY 2002-2003 is $30,997,163. Of that amount, Mr. Rydstrom further reports that, if this ordinance is approved, the General Fund would pay for an estimated $13,475,913 or 43.5 percent of such costs and the Emergency Response Fees would pay for an estimated $17,521,250 or 56.5 percent of the total FY 2002-2003 emergency communication services costs, based on an effective start date of December 1, 2002 for the proposed fee increases. Mr. Rydstrom further notes that on an annualized basis, the Controller's Office projects Emergency Response Fee revenues of $18,965,000. Therefore, on an annualized

basis, the General Fund would pay for an estimated \$12,032,163 or 38.8 percent and the Emergency Response Fees would pay for an estimated \$18,965,000 or 61.2 percent of the total FY 2002-2003 emergency communication services costs.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Attachment

Emergency Communications Department
911 Fee
Exempt and Non-Exempt Telecom Lines

Number of lines subject to fee	Qty	# Lines	Total Line Equivalent
# of access lines	570,857	1.00	570,857
# of trunks	24,743	7.50	185,573
# of super trunks	480	135.00	64,800
# wireless (2)	333,610	1.00	333,610
Subtotal			1,154,840
Number of exempt lines			
# of lifeline customers	95,573	1.00	95,573
# of access lines	67,348	1.00	67,348
# of trunks	7,796	7.50	58,470
# of super trunks	84	135.00	11,340
# wireless	4,093	1.00	4,093
Subtotal			236,824
Total (3)			1,391,664
Percent subject to fee			83.0%
Percent exempt			17.0%

(1) Based on sample from largest remitters in October 2001 and March 2002 representing approximately 85% of total fee revenues.
(2) Source: Mayor's Office, Oct 2001.
(3) Does not include 31,000 accounts with services presumed not to meet the definition of local telephone service.

Item 5 - File 02-1049

Department:	Department of Public Health (DPH) Department of Administrative Services, Real Estate Division (RED)
Item:	Resolution authorizing a new lease of real property at 124 Turk Street on behalf of the Department of Public Health.
Location:	Camelot Hotel located at 124 Turk Street.
Purpose of Lease:	To provide 55 single-room occupancy (SRO) residential units to persons participating in DPH's Direct Access to Housing Program (see Description Section below).
Lessor:	124 Turk Street, L.P.
Lessee:	City and County of San Francisco, on behalf of DPH
No. of Sq. Ft. and Cost Per Month:	Approximately 14,700 square feet at a monthly rental rate of $27,500 (approximately $1.87 per square foot per month). The 14,700 square feet of space includes (a) 1,876 square feet on the basement floor for laundry facilities and storage, (b) 2,431 square feet on the first floor for office space for the property manager and support services provider, community rooms, a tenant lounge, and a kitchen, and (c) 10,393 square feet on floors two through six for 55 SRO units. According to Mr. Marc Trotz of DPH, the average size of each unit is 110 square feet. Other square footage on floors two through six is made up of common areas including hallways and restrooms. The building has a total of six floors plus a basement.
Annual Rental Payment:	$330,000. On each anniversary of the lease commencement date, the rental rate would increase by the percentage increase in the Consumer Price Index (CPI) for the San Francisco Metropolitan Area, provided that the percentage increase shall not be less than 1.5 percent nor more than 5 percent.
Utilities:	To be provided by the City at an estimated cost of approximately $4,583 per month ($55,000 per year). Such

utility costs include gas, electric, water, and sewer charges including garbage collection.

Janitorial Services: To be provided by the City at an estimated cost of approximately $1,843 per month ($22,120 per year including $21,120 for janitorial personnel and $1,000 for janitorial supplies).

Utilities and janitorial services would be provided under a property management contract with the John Stewart Company at a total cost of $329,342 including $55,000 in utilities and $22,120 in janitorial services (see Comment No. 2). In addition, support services for residents of the Direct Access to Housing Program at the Camelot Hotel would be provided by Baker Places, Inc. at an annual cost of $325,000 (see Comment No. 3).

Total Annual Cost: $956,842 in FY 2002-03, including 11 months of rent for the period of August 1, 2002 through June 30, 2003, and 12 months of property management and support services. As explained by Mr. Trotz in Attachment I, the contractual costs for property management and support services in FY 2002-03 are for 12 months, even though DPH will only pay 11 months of rent, because the contractors will need to hire and train staff one month prior to the commencement of the proposed lease. On an annual basis, the costs for rent, property management and support services would be $984,342 excluding CPI adjustments.

Expenditure Item	Estimated Cost in FY 2002-03
Rent ($27,500 per month for 11 months)	$302,500
Property Management including Janitorial Services and Utilities (see Comment No. 2)	329,342
Support Services (see Comment No. 3)	325,000
Total	$956,842

Term of Lease: 10 years, anticipated to commence on August 1, 2002 and expire on July 31, 2012.

Right of Renewal: Option to renew for two additional 10-year terms. The provisions noted in the Annual Rental Payment Section

above would apply during the two 10-year lease extension terms.

Tenant Improvements: $180,500 – See Comment No. 1 below.

Source of Funds in FY 2002-03: According to Mr. Trotz, DPH's FY 2002-03 budget contains funding for the above listed annual costs, or $956,842, from the sources in the following table:

Sources of Funds in FY 2002-03	Amount
General Fund	$201,965
AB2034[1]	451,597
Comprehensive AIDS Resources Emergency Act (CARE)	60,740
MediCal	39,260
Rental Income from the SRO units	203,280
Total	$956,842

The Comprehensive AIDS Resources Emergency Act (CARE) is a Federal program. The Act provides funds to increase the availability of primary health care and support services, including housing, in order to reduce utilization of more costly inpatient care, increase access to care for under-served populations, and improve the quality of life for those affected by the AIDS epidemic.

The rental income of $203,280 for FY 2002-03 is based on monthly payments of approximately $350[2] per unit for 55 units with a 4 percent vacancy rate, totaling $18,480 per month or $203,280 for the 11 month period of August 1, 2002 through June 30, 2003.

Right of First Refusal: The City has the first right of refusal to purchase the Camelot Hotel in the event that the Lessor decides to sell.

Description: The proposed resolution would authorize the DPH to enter into a 10 year lease for 14,700 square feet of space at the Camelot Hotel at 124 Turk Street. According to Mr. Trotz,

[1] AB2034 is a continuing grant to the DPH from the State Department of Mental Health.

[2] Residents of the Camelot Hotel would make monthly payments of approximately 50 percent of their income. According to Ms. Daisy Leyva of DPH, monthly payments are anticipated to range from $170 to $415 per resident per month, at an average of $350 per resident per month.

the Camelot Hotel is currently undergoing a complete renovation as a result of damage sustained from the 1989 Loma Prieta earthquake. The DPH would sublease 55 single-room residential units to individuals eligible for assistance from DPH's Direct Access to Housing Program. This program is designed to secure affordable, community-based housing for homeless and extremely low-income San Francisco residents. The City subleases residential units to persons who fall into one or more of the following categories:

(1) Are medically frail.
~~(2) Are homeless or at risk of homelessness.~~
(3) Have recently exited a homeless shelter, residential treatment program, jail, hospital, or other institution and at risk of homelessness.
(4) Are capable of living independently with on-site support services.

According to Mr. Trotz, the Camelot Hotel would be the sixth residential hotel to be leased by the City for the Direct Access to Housing Program. The first was the Pacific Bay Inn (75 units) located at 520 Jones Street; the second was the the Windsor Hotel (94 units) located at 238 Eddy Street; the third was the Hotel Le Nain (96 units) located at 730 Eddy Street; the fourth was the Broderick Street Guest House (34 units) located at 1421 Broderick Street; and the fifth was the Star Hotel (50 units) located at 2176-2180 Mission Street. Attachment II, provided by DPH, is a comparison of services and costs for the six Direct Access to Housing residential hotels.

Comments:

1. The following table is a summary of $317,091 start-up costs for the Camelot Hotel to be paid for with General Fund monies appropriated by the Board of Supervisors in DPH's FY 2001-02 budget and carried forward to FY 2002-03. Attachment I contains additional details on the start-up costs. According to Mr. Trotz, no funds for these start-up costs, including capital improvement costs, will be paid to the property management contractor the John Stewart Company, or the building owner, prior to Board of Supervisors approval of the proposed lease. According to Mr. Trotz, such start-up costs were included in DPH's FY 2001-02 budget because the DPH had anticipated that the Board of Supervisors would consider the proposed lease in

FY 2001-02. According to Ms. Leyva, submission of the proposed resolution for this lease agreement was delayed until the building renovations were close to completion.

Start-up costs of $109,091 detailed below, which exclude the $180,500 budgeted for capital improvements and the $27,500 for the security deposit, are for contractual project management services to be provided by the selected property management contractor, the John Stewart Company. Mr. Trotz advises that these start-up costs are one-time expenses over and above the John Stewart Company contractual costs of $329,342 annually.

Start-up Costs

Expenditure Item	Estimated Cost
Camelot Hotel Capital Improvements	$180,500
Personnel Costs	5,310
Security Deposit (one month rent)	27,500
Advertising	1,500
Office Supplies	500
Management Fee	15,000
Mileage/Travel	500
Seminar and Training	500
Office Furniture	20,000
Residential Floor Furniture	15,000
Kitchen Appliances	5,000
Computers, Printers and Supplies	15,000
Operating and Maintenance Reserve	30,781
TOTAL START-UP COSTS	$317,091

According to Mr. Trotz, the first floor capital improvements are estimated to cost a total of $300,000 for the build out of office space, community rooms, a tenant lounge and a kitchen, resulting in a cost of $123.41 per square foot, for 2,431 square feet. Although, according to Mr. Trotz, the lessor is responsible for $150,000 of the $300,000 in estimated costs, there is no provision in the lease which requires any payment for capital improvements by the lessor. Therefore, the Budget Analyst recommends that the proposed resolution be amended to state that approval of the resolution is contingent upon an amendment to the lease agreement requiring that the first floor capital improvement costs cannot exceed $300,000, of which the lessor is required to pay 50 percent of such costs.

Additional capital improvements to install mailboxes, an intercom system, and security cameras at an estimated cost of $30,500 are to be paid for by the DPH.

2. Mr. Trotz reports that DPH issued a Request for Qualifications (RFQ) in October of 2000 for property management and support services for the Camelot Hotel and the Star Hotel. As explained in Attachment III, provided by DPH, "The providers were selected with the expectation that the building will be completed and operational in fiscal year 2001-2002." The lease of the Star Hotel was approved by the Board of Supervisors on May 21, 2001 (File 01-0738). As previously noted, submission of the proposed resolution for the lease of the Camelot Hotel was delayed until the building renovations were close to completion. Mr. Trotz further reports that only the John Stewart Company responded to the RFQ to provide property management services and only Baker Places Inc.[3], a nonprofit organization, responded to the RFQ to provide support services at the Camelot Hotel and the Star Hotel. According to Mr. Trotz, the same RFQ was sent for both property management and support services because both services are related to the same sites, the Camelot Hotel and the Star Hotel. The RFQ was sent to over 300 individuals representing over 100 organizations, according to Mr. Trotz.

According to Mr. Trotz, $329,342 in estimated annual property management services would be paid to the John Stewart Company for the costs shown in Attachment IV, provided by DPH.

3. According to Mr. Trotz, Baker Places Inc. would provide on-site support services for mental health, substance abuse, HIV/AIDS counseling, vocational and case management services, at an estimated annual cost of $325,000. The budget for support services, estimated to total $325,000, is shown in Attachment V, provided by DPH.

4. For Years One through Five of the proposed lease term, DPH would be responsible for the cost of maintenance and repair of major systems including the elevator, the heating,

[3] Baker Places Inc.'s application included the Tenderloin AIDS Resource Center and the Lutheran Social Services as subcontractors.

ventilation, air conditioning, electrical, and the plumbing system, all of which are new. According to the provisions of the proposed lease, the lessor would be solely responsible for the replacement of such major systems during Years One through Five unless the replacement is necessitated by the gross negligence, willful misconduct or intentional vandalism by the building's tenants. In the attached memorandum (Attachment I), Mr. Trotz explains that the "building is undergoing a complete rebuilding and all of the systems are new and have warranties. It is very unlikely that any of the major systems will need significant repair in the first five years of building operation."

Beginning in Year Six of the proposed lease term, if such maintenance costs exceed $5,000 per maintenance incident, and the maintenance incident did not result from DPH or subtenant negligence, misconduct, or vandalism, the lessor would be responsible to pay for maintenance costs in excess of $5,000 per incident. If the maintenance costs are $5,000 per maintenance incident or less, the City would be responsible for paying such costs. Such maintenance costs are included in the "Operating and Maintenance Reserve" budget in the Start-up Costs table shown above.

Also beginning in Year Six of the proposed lease term, if during any one year the City's annual maintenance and repair costs exceeds $10,000 and the necessary maintenance or repairs did not result from DPH or subtenant negligence, misconduct or vandalism, DPH may submit to the lessor a written request that the lessor pay the amount in excess of the $10,000 annual cap.[4]

5. Ms. Jean Medlar of the Real Estate Division reports that the proposed rental rate of $1.87 per square foot represents fair market value.

Recommendations: 1. Amend the proposed resolution to state that approval of the resolution is contingent upon an amendment to the lease agreement requiring that the first floor capital improvement costs cannot exceed $300,000, of which the lessor is required to pay 50 percent of such costs.

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[4] According to Mr. Trotz, failure of the lessor to make necessary repairs in excess of the annual cap of $10,000 beginning in Year Six would be considered a breach of contract and DPH would deduct that amount from its rent payment or pursue a legal remedy.

2. Subject to the amendment as recommended above, approve the proposed resolution.

City and County of San Francisco
Department of Public Health

Housing and Urban Health
101 Grove Street, Room 323
San Francisco, California 94102
Phone: (415) 554-2565
Fax: (415) 554-2658

MEMORANDUM

DATE:	July 8, 2002
TO:	Anna LaForte
FROM:	Marc Trotz, Director, Housing and Urban Health M.T.
SUBJECT:	Camelot Lease

This memo includes the additional information you requested regarding the Camelot Hotel project.

Start-up Costs: The funds designated for building start-up have been have included in the Department's FY 01-02 contract with John Stewart Company. This contract includes funding for negotiated building improvements and other start-up expenses related to building readiness. These funds are currently being held by John Stewart Company and have not been paid out to the building owner. The building owner and John Stewart Company are fully aware that funds budgeted for building improvements and other expenses related to building readiness have been committed in contract but will not be paid out until the lease resolution has been approved by the Board of Supervisors and the Mayor. Attachment A includes a breakdown of the start-up budget.

Lease Provision Regarding Major System: All of our master leases include a provision that the owner of the building is responsible for certain costs related to the envelope of the building and major systems. In the Camelot lease, the provision regarding owner's responsibility for repair of major systems does not take effect until the sixth year of the lease. This provision was agreed to by the DPH and the Department of Real Estate based on the fact that the building is undergoing a complete rebuilding and all of the systems are new and have warranties. It is very unlikely that any of the major systems will need significant repair in the first five years of building operation.

Breakdown of 02-03 Revenues and Expenses: (see attachment B) The contracts for property management and support services for fiscal year 02-03 are 12 month contracts because hiring and training will be conducted during the first month of the fiscal year.

Comparison With Other Master Leased Sites: (see attachment C)

Camelot Hotel Start-Up Budget		
Budget Item	***Explanation***	***Amount***
Personnel	Staff involved in planning, hiring, processing applications, and start-up activities.	$5,310
Security Deposit	One month security deposit	$27,500
Administrative Expenses		
Advertising	Expense for job advertisement for front desk clerks, janitors, assistant maintenance, and resident assistants.	$1,500
Office Supplies	Supplies for start-up, hiring, orientation, and training process.	$500
Management Fee	Management fee for work related to start-up activities, including weekly planning meetings, managing purchase of equipment and furniture,managing installation of start-up equipment.	$15,000
Milage/Travel	Travel expense for purchasing materials, attending meetings, training, etc.	$500
Seminar and Training	Training expense for new staff.	$500
Capital and Equipment		
Office Space Build - Out	Includes build out of 6 staff offices, one conference room, 2 bathrooms, community kitchen including appliances, installation of mailboxes, build out of reception area, including counters and cabinets.	$150,000
Mailboxes	Individual mailboxes for tenants.	$2,500
Security Cameras	Installation of 16 cameras in staff offices and five floors to ensure monitoring and security of building.	$20,000
Intercom System	An intercom will be installed in each residential unit and office to allow front desk to call tenants if they have visitors and for staff to be able to communicate to tenants if needed through their offices.	$8,000
Office Furniture	Includes all desks, chairs, filing cabinets, computer desks, lamps, for offices.	$20,000
Kitchen/Community Space Appliances	Dishwasher and chairs and tables for tenant use in the community area. Also includes 2 chairs, sofa, television set and DVD player.	$5,000
Residential Floor Furniture	Includes bed, side table, chair, lamps, linens, bathrobe, glass, trash bin, slippers, toiletry kits, and towels.	$15,000
Computers, printers, and supplies	Computers for staff use	$15,000
Operating and Maintenance Reserve	Reserve amount for unforseen expenses.	$30,781
TOTAL START-UP COSTS		$317,091

ATTACHMENT C

COMPARISON OF SERVICES AND COSTS FOR DIRECT ACCESS TO HOUSING BUILDINGS						
Property	Number of	Services on site	Property Mgt Cost	Support Services	Total Cost	Cost Per Unit
Camelot Hotel	55	Case Management, HIV/AIDS peer advocacy, mental health and substance abuse, benefits advocacy, vocational services and money management	$329,342	$325,000	$654,342	$11,897
Star Hotel	54	Case Management, HIV/AIDS peer advocacy, mental health and substance abuse, benefits advocacy, vocational services and money management	$329,105	$300,000	$629,105	$12,533
Windsor Hotel	92	Medical care, case management, benefits/entitlement services, rent payee program	$481,917	$427,755	$909,672	$9,888
Le Nain Hotel	92	Senior services, case management, rent payee program	$368,201	$257,055	$625,256	$6,796
Pacific Bay Inn	75	Case Management, mental health and substance abuse services, money management	$240,430	$364,895	$605,325	$8,071
Broderick Street Guesthouse	34	24-hour care and supervision of persons with severe mental health Issues including medical complications. This facility is a licensed residential care facility (RCF). The Star, Camelot, Windsor, Le Nain, and Pacific Bay Inn are single room occupancy (SRO) hotels and provide much less services than a residential care program. Broderick provides medical management,counseling, meals and snacks, activities, transportation. and laundry services. The program staff includes pt medical director, nurses, LVNs, CNAs, and resident assistants. RCF's must meet State guidelines for operations and services and require yearly inspection from State Licensing.	$799,463	$460,000	$1,259,463	$37,043*
*cost per bed per year						

City and County of San Francisco
Department of Public Health

Housing and Urban Health
101 Grove Street, Room 323
San Francisco, California 94102
Phone: (415) 554-2565
Fax: (415) 554-2658

MEMORANDUM

DATE: July 11, 2002
TO: Anna LaForte
FROM: Marc Trotz, Director, Housing and Urban Health M.T.
SUBJECT: Camelot Lease

This memo includes the additional information you requested regarding the Camelot Hotel project.

- Average square footage per unit: 110 square feet.

- Square footage of first floor office spaces, community area, kitchen, reception, and visitor's lounge: 2,431 square feet.

- Of the capital improvements budgeted at $180,500, only $150,000 will be paid to the building owner to cover expenses for the build out of office spaces, community area, kitchen, reception and visitor's lounge. The remaining $30,500 will be paid out directly by John Stewart Company to vendors that will supply the mailboxes and supply and install the intercom and security system. The owner of the building has no direct participation in the selection or negotiations with the vendors for mailboxes, intercom, and security system.

- DPH is using the RFQ conducted in October 2000 for services to the Camelot Hotel because that RFQ was specifically intended for support services and property management at Camelot, Star, and Broderick RCF. The providers were selected with the expectation that the building will be completed and operational in fiscal year 2001-2002.

CAMELOT HOTEL
PROPERTY MANAGEMENT BUDGET
FISCAL YEAR 02-03 (12 month budget)

Personnel	FTE	AMOUNT
Administrator- is the lead property menagement staff and supervises all property management staff in the building.	0.50	$24,000
Asst. Administrator-assists the Administrator In the day-to-day operations of the building.	0.50	$14,700
Front Desk Staff - performs front desk functions including meeting and registerting guests, answering the phone, receiving mail, and other clerical tasks.	4.20	$88,704
Maintenance Supervisor- will oversee all maintenance needs for Windsor, Star and Camelot hotels and will supervise assistant maintenance staff and supervisors.	0.33	$14,000
Assist. Maintenance Worker- assists the Maintenance Supervisor in repairs and maintenance functions.	0.50	$12,467
Janitor-responsible for day-to-day upkeep of the building.	1.00	$21,120
Resident Assistants-responsible for assisting Front Desk clerk and residents at designated hours.	1.00	$21,120
Total Salaries	8.03	$196,111
Fringe Benefits)		$28,000
TOTAL PERSONNEL		$228,162
Operating Expenses		
Administrative Expenses		
Advertising		$500
Credit Reports		$1,500
Office Supplies		$2,000
Management Fee		$31,680
Telephone		$5,000
Computer Charges		$1,000
Utilities		
Gas and Electricity		$28,000
Water		$15,000
Garbage Collection/Sewer		$12,000
Services Expenses		
Tenant Activities		$1,500
Repairs and Maintenance		
Maintenance Supplies		$2,000
Janitorial Supplies		$1,000
TOTAL OPERATING COSTS		$101,180
TOTAL COSTS		$329,342

ATTACHMENT B3

CAMELOT HOTEL

Contract Year 2002-2003

CAMELOT HOTEL
SUPPORT SERVICES BUDGET
FISCAL YEAR 02-03

Expenditure Item	FTE		Cost
Support Services Manager	1.0	$	50,000
Intensive Case Managers	2.0	$	90,000
Case Coordinator	1.0	$	40,000
Case Manager for HIV Services	0.5	$	23,000
Peer Advocate for HIV Services	1.0	$	37,000
Money Manager	0.5	$	25,000
Client Activities and Supplies		$	60,000
TOTAL	**6.0**	**$**	**325,000**

Items 6 & 7 – Files 02-1121 & 02-1097

Department: Department of the Treasurer/Tax Collector

Items:

File 02-1121:
Motion submitting the San Francisco Business Tax Reform Ordinance of 2002 to the qualified electors of the City and County of San Francisco, at the November 5, 2002 general municipal election.

File 02-1097:
Ordinance amending the Business and Tax Regulations Code to: (1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax on persons engaging in specified business activities in San Francisco; (2) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) reduce businesses' taxable payroll expense by the amount of payroll expense attributable to their San Francisco business activities taxed under Article 12-A-1 (Gross Receipts Tax Ordinance), (ii) conform Article 12-A (Payroll Expense Tax Ordinance) with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 6 (Common Administrative Provisions), (iii) repeal the Enterprise Zone Tax Credit set forth in Section 906A, (iv) repeal the $500 surplus business tax revenue credit set forth in Section 906E, and (v) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulation Code, and place them in Article 6 (Common Administrative Provisions); (3) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); (4) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply

to Article 12-A (Payroll Expense Tax Ordinance), Article 12-A-1 (Gross Receipts Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review; (5) amend Section 501 of Article 7 to clarify the definition of "Permanent Residents" exempt from the tax on the transient occupancy of hotel rooms, and (6) amend Section 606 of Article 9 to repeal the exemptions to the tax and surcharge upon the rent charged for the occupancy of parking spaces in parking stations (i) which are part of residential or hotel premises and (ii) for registered hotel guests where the parking station is not located on the hotel premises.

Description:

<u>File 02-1121:</u>
This motion, related to File 02-1097, would authorize the submission of the San Francisco Business Tax Reform Ordinance to the voters at the November 5, 2002 election. The State of California Constitution requires that any new, increased or extended general tax be approved by a majority vote of the qualified electors. The Finance Committee must hear the motion by July 30th, the Board of Supervisors must submit the ordinance to the voters by August 5th, and either (a) the Board of Supervisors, (b) four Supervisors, or (c) the Mayor must submit the ordinance to the Director of Elections by August 7th, in order that the San Francisco Business Tax Reform Ordinance of 2002 be voted on at the November 5, 2002 election.

<u>File 02-1097:</u>
The City and County of San Francisco currently imposes a Payroll Tax on firms doing business in San Francisco at the rate of 1.5 percent of the firm's payroll expenses. Payroll expenses which are taxable include all compensation paid to employees for services and distributions of salaries to owners of associations and partnerships regarding work done in San Francisco.

The proposed ordinance would:

- Establish a new Gross Receipts Tax on the gross receipts of certain business activities from proceeds realized from doing business in San Francisco;

- Amend the Payroll Expense Tax Ordinance to clarify that payroll expenses include all compensation to owners of partnerships, limited liability partnerships, limited liability companies, and other "pass-through entities"[1];
- Repeal the Enterprise Zone Tax Credit[2] and the surplus business tax revenue credit[3] ("Good Times Credit");
- Amend the Tax on Occupancy of Parking Space in Parking Stations to eliminate existing tax exemptions for hotel parking spaces that are not located on hotel premises; and
- Amend other sections of the Business and Tax Regulations Code to clarify language and conform the code with the changes proposed.

The businesses and business activities which would be subject to the proposed new Gross Receipts Tax and the rates at which those business activities would be taxed include: (a) lessors of real estate at 0.3 percent of gross receipts; (b) taxicab color scheme permit holders at 0.3 percent of gross receipts; (c) automobile rental and leasing companies at 0.3 percent of gross receipts; (d) gasoline stations at 0.3 percent of gross receipts; and (e) construction contractors at graduated rates of 0.3 of gross receipts of $0 to $2,000,000, 0.35 of gross receipts of $2,000,001 to $5,000,000 and 0.4 percent of gross receipts over $5,000,000. Presently, these businesses are subject to the City's Payroll Tax. When such businesses have high gross receipts, it is possible that the Gross Receipts Tax liability of the business would be higher than the Payroll Tax liability.

[1] The proposed ordinance defines the term "pass-through entity" as: a trust, partnership, corporation, limited liability company, limited liability partnership, professional corporation, and any other person or entity which is not subject to the income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended, or which is allowed a deduction in computing such tax for distributions to the owners or beneficiaries of such person or entity.

[2] The Enterprise Zone Tax Credit is a credit against taxes for businesses located within the San Francisco Enterprise Zone that hire certain "qualified individuals" for newly created jobs. This ten-year declining credit is 100% of the tax liability for the first two years of employment, 50% the third and fourth years, 25% the fifth and sixth years, 15% the seventh and eighth years, and 10% the ninth and tenth years.

[3] Under the surplus business tax revenue credit, or Good Times Credit, businesses receive a $500 tax credit for any fiscal year in which Business Tax revenues exceed projections by 7.5 percent.

Comments:

1. In April of 2001 the Board of Supervisors approved an ordinance which: (a) repealed the Gross Receipts method of calculating the Business Tax effective January 1, 2000; (b) amended the Business Tax Registration Certificate Fee requirements to be consistent with the repeal of the Gross Receipts Tax; and (c) refunded gross receipts-based taxes for the 2000 tax year which exceeded the amount that would have been due to the City in Payroll Taxes based on the businesses' payroll expenses (File 01-0274). According to Mr. Dorji Roberts of the City Attorney's Office the repeal of the gross receipts method of calculating the Business Tax was in response to a series of lawsuits challenging the City's Business Tax structure.

2. Mr. Roberts advises that the proposed ordinance would clarify the tax treatment of partnership compensation and provide that compensation paid to owners of pass-through entities, such as partnerships and limited liability companies, for services performed in San Francisco, such as accounting and legal services for example, qualifies as payroll expense of the business entity. Under the proposed ordinance, all cash distributions to owners of a pass-through entity must be included when the pass-through entity determines its taxable payroll expense. The proposed ordinance provides that the amount of taxable payroll expense is presumed to be 90 percent of the gross income of the owner for Federal Income Tax purposes. The proposed ordinance provides that the pass-through entity, such as a partnership, may challenge the 90 percent amount by establishing to the satisfaction of the Tax Collector that less than 90 percent of the owner's gross income is compensation for professional services.

3. The proposed ordinance also provides that businesses engaging in professional sports would pay the Payroll Tax based on the percent of payroll expenses which is equivalent to the percent of the number of regular season games played within the City during the tax year compared to the total number of regular season games played. Currently businesses engaging in professional sports pay the Payroll Tax based on the percent of payroll expenses which is equivalent to the percent of the number of working hours performed within the City during the tax year compared to the total number of hours worked.

4. Ms. Peg Stevenson of the Controller's Office states that the Controller's Office estimates that the proposed new Gross Receipts Tax for specific business activities would result in an estimated $4 million annually in additional revenue to the City and that the clarification of the tax treatment of partnership compensation payable under the Payroll Tax provision would result in an estimated $10 million to $15 million annually of additional revenue to the City, resulting in total additional revenues to the City of between $14 million and $19 million annually. The Budget Analyst concurs with the Controller's projections. Ms. Stevenson advises that the repeal of the Enterprise Tax Credit will result in an estimated $35,000 annually in additional revenue and that since no credits were given for the Good Times Credit for the last three years, no additional revenues to the City have been estimated for the repeal of this credit. Ms. Stevenson adds that in years when the Good Times Credit has been granted, it resulted in foregone Business Tax revenues of an estimated $4 million. In addition, Ms. Stevenson advises, the New Jobs Tax Credit[4] will sunset as of December 31, 2002, resulting in additional estimated annual revenues to the City of $15 million to $25 million. The termination of the New Jobs Tax Credit is not included in the subject proposed ordinance since that credit is set to sunset already.

5. Ms. Shana Margolis of the Department of the Treasurer/Tax Collector notes that the proposed ordinance would amend the Business Registration Ordinance to conform business registration requirements with the enactment of the proposed new Gross Receipts Tax and with the proposed changes to the Payroll Tax. Currently, the Business Tax Registration Certificate Fee is based on the Payroll Tax liability. Presently all businesses whose Payroll Tax liability is $2,500 or less,

[4] Under the New Jobs Tax Credit businesses that create or relocate new, permanent jobs in San Francisco that otherwise would be situated elsewhere are entitled to tax credits against the City Payroll Tax liability. This credit applies to most types of businesses with respect to permanent hires, regardless of salary, and it applies to each new job created on or after July 1, 1993 at a 100 percent tax credit for the first 12 months and a 50 percent tax credit for the second 12 months.

are exempt from paying Payroll Taxes to the City. According to Ms. Margolis, currently businesses whose calculated Payroll Tax to the City is less than $1 would pay the minimum Business Tax Registration Certificate Fee of $25 annually. Businesses which owe a Payroll Tax liability to the City of $1 to $10,000 would pay $150 annually, businesses which owe a Payroll Tax liability to the City of $10,001 to $50,000 would pay $250 annually, and businesses which owe a Payroll Tax liability to the City over $50,000 would pay $500 annually. Ms. Margolis advises that under the proposed ordinance, businesses which would owe a Gross Receipts Tax liability to the City of $1 to $10,000 would pay $150 annually, businesses which owe a Gross Receipts Tax liability to the City of $10,001 to $50,000 would pay $250 annually, and businesses which owe a Gross Receipts Tax liability to the City over $50,000 would pay $500 annually for the Business Tax Registration Certificate Fee. Ms. Stevenson reports that the Controller's Office does not have estimates for revenues associated with the proposed amendments to the Business Tax Registration Certificate Fee available at this time.

6. In summary, the Controller's Office estimates that the proposed ordinance would result in $4 million in additional Gross Receipts Taxes and between $10 million and $15 million in additional Payroll Taxes or total additional Business Tax revenues to the City of $14 million to $19 million annually. In addition, the Controller's Office estimates that existing provisions for the sunset of the New Jobs Tax Credit will result in additional Payroll Tax revenues to the City of $15 million to $25 million annually.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

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22/02

C..y and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Monday, July 22, 2002 | **10:00 AM** | **City Hall, Room 263**

Special Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

MEETING CONVENED

The meeting convened at 10:12 a.m.

020910 [Revenue Bond Election]

Supervisor Ammiano

Resolution calling and providing for a special election to be held in the City and County of San Francisco for the purpose of submitting to the qualified voters of said City and County on November 5, 2002 a proposition for the issuance of revenue bonds and/or other forms of revenue financing by the Public Utilities Commission in a principal amount not to exceed $1,628,000,000 to finance the acquisition and construction of improvements to the City's water system; making issuance of the bonds subject to the requirement that San Francisco Administrative Code Chapter 37 (Residential Rent Stabilization and Arbitration Ordinance) be amended to provide that (1) 50% of the costs resulting from increased water rates may be passed through from landlords to residential tenants where a unit is in compliance with any applicable laws requiring water conservation devices, and (2) tenants may file hardship applications with the Rent Board for relief from all or part of the cost passthrough and their affected landlords may utilize any available Public Utilities Commission low-income rate discount program or similar program for water bill reduction based on the tenants' hardship status; and for the possible imposition of a surcharge on retail water customers; and consolidating said special election with the General Municipal Election to be held on November 5, 2002; complying with Section 53410 of the California Government Code; finding the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and the City's General Plan. (Public Utilities Commission)

(Fiscal impact.)

6/5/02, RECEIVED AND ASSIGNED to Finance Committee.

6/27/02, SUBSTITUTED. Substituted by the City Attorney 6/28/02, bearing new title.

6/27/02, ASSIGNED to Finance Committee.

7/10/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Margaret Bruce, Silicon Valley Manufacturing Group; Lee Blitch, President, San Francisco Chamber of Commerce; Brook Turner, Coalition for Better Housing; Ira Ruskin, Chair, Committee for Regional Water Reliability; John Kennedy, Deputy City Attorney; Ron Good, Chair, Sierra Club, Hetch Hetchy Restoration Task Force and Restore Hetch Hetchy; Dennis Oliver, California Alliance for Jobs; A. Sepi Richardson, Council Member, City of Brisbane; Leroy McDonald; Alan Gibson, Budget Analyst's Office; Patricia Martel, General Manager, Public Utilities Commission; Monique Moyer, Mayor's Office of Public Finance; William Berry, Assistant General Manager for Finance and Administration, Public Utilities Commission.
Continued to 7/17/02.

7/10/02, CONTINUED.

7/17/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Joe Gurbb, Executive Director, Rent Stabilization Board; Harvey Rose, Budget Analyst; William Berry, Assistant General Manager for Finance and Administration, Public Utilities Commission; Steve Kawa, Deputy Chief of Staff, Mayor's Office; Female Speaker; Brook Turner, Coalition for Better Housing; Janan New, Director, San Francisco Apartment Association; Ron Good. Chair, Sierra Club. Hetch Hetchy Restoration Task Force and Executive Director, Restore Hetch Hetchy; Ernestine Weiss; Joan Girardot, Past President, Coalition for San Francisco Neighborhoods; John Bardis; Theodore Lakey, Deputy City Attorney; Marie Corlett Blits. Deputy City Attorney.
Amendment of the Whole bearing new title, as presented by Supervisor Ammiano, adopted. Amended on page 1, line 10, after "amended," by deleting "effective no later than January 1, 2003." Further amended on page 2, lines 17 and 18, after "amended," by deleting "effective on or before January 1, 2003."
Continued to a special meeting of the Finance Committee on Monday, July 22, 2002, at 10:00 a.m.

7/17/02, CONTINUED.

Heard in Committee. Speakers: Supervisor Sandoval; Patricia Martel, General Manager, Public Utilities Commission; Mr. Hess; Ted Lakey, Deputy City Attorney.
7/22/02 Amendment of the whole bearing same title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED AS A COMMITTEE REPORT by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

ADJOURNMENT

The meeting adjourned at 10:52 a.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 18, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: July 22, 2002 Special Finance Committee Meeting

Item 1 – File 02-0910

Note: This item was continued by the Finance Committee at its meeting of July 17, 2002. This item was amended by the Finance Committee at its meeting of July 10, 2002 and was continued. The proposed amendment would make issuance of the bonds, subject to the requirement that Chapter 37 of the Administrative Code be amended to provide that landlords may passthrough to residential tenants 50% of the water bill costs attributable to water rate increases resulting from issuance of the Bonds, where a unit is in compliance with any applicable laws requiring water conservation devices, tenants may file hardship applications with the Rent Board for relief of all or part of the cost passthrough and their affected landlords may utilize any available Public Utilities Commission low-income rate discount program or similar program for water bill reduction based on the tenants' hardship status.

Further, at the request of the Committee, Ms. Martel will respond directly to the Committee pertaining to specific capital improvement project questions raised at the Committee's meeting of July 17, 2002.

Department: Public Utilities Commission (PUC)
Mayor's Office of Public Finance

Item:	Resolution calling and providing for a special election to be held in the City and County of San Francisco for the purpose of submitting to the qualified voters of said City and County on November 5, 2002 a proposition for the issuance of revenue bonds and/or other forms of revenue financing by the Public Utilities Commission in a principal amount not to exceed $1,628,000,000 to finance the acquisition and construction of improvements to the City's water system and for the possible imposition of a surcharge on retail water customers; and consolidating said special election with the General Municipal Election to be held on November 5, 2002; finding the proposed project is in conformity with the priority of Planning Code Section 101.1(b) and the City's General Plan.
Amount:	The maximum principal amount is not to exceed $1.628 billion.
Source of Funds:	Revenue bonds and/or other forms of revenue financing. Other forms of revenue financing include notes, debentures, commercial paper, variable rate demand notes and bonds, auction rate securities, lease revenue bonds, installment sale agreements, and other forms of similar financial products which may be created from time to time.[1]
Description:	The PUC has identified water system ($3.628 billion) and clean water system ($996 million) capital improvement costs totaling $4.624 billion, comprising:

[1] According to Ms. Karol Ostberg of the PUC, the PUC will manage its debt portfolio to achieve an overall objective of minimizing costs and maintaining flexibility to respond to changing market conditions and a dynamic capital improvement program. The bulk of the debt is anticipated to be long-term fixed-rate revenue bonds which have the advantage of known financing costs over the useful life of the asset being financed. The PUC also anticipates using certain types of variable rate debt to take advantage of lower average interest rates. Use of such instruments would be particularly advantageous during construction of capital projects, by lowering the cost of capitalized interest. In addition, certain types of variable rate debt may be issued to permanently fund project costs. The added benefit of overall lower interest rates associated with variable rates is somewhat offset by the interest rate volatility associated with variable rate debt, so such debt would not exceed 25 percent of the entire bond issuance, according to Ms. Ostberg.

- $2.913 billion for regional water system improvements[2]. Regional customers would pay approximately 69 percent of the cost (approximately $2 billion) and San Francisco ratepayers would pay approximately 31 percent of the cost (approximately $913 million).
- $715 million for local water system projects within San Francisco[3]. This would be entirely funded by San Francisco ratepayers.
- $996 million for Clean Water capital improvement projects within San Francisco[4]. This would be entirely funded by San Francisco ratepayers. As explained in Comment No. 15 below, separate bond issues would be required for these projects which are currently estimated to total $996 million.

The $3.628 billion water system capital improvement program is intended to replace or repair aging water system facilities since many of the system's components are at the end of their useful life, address seismic concerns (particularly the lack of back-up facilities), accommodate future increases in the demand for water, and meet future regulatory requirements for the quality of drinking water. If this requested revenue bond authorization is approved by the voters in the November of 2002 election, the 13 year capital improvement program would start in 2003 and construction would be scheduled for completion by 2016. The PUC would review and update the plan annually during this 13 year program.

The water system capital improvement program consists of the 77 projects listed in Attachment V, provided by the PUC. These 77 projects comprise:

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[2] Under the Amendment of the Whole, the regional water system comprises facilities for the storage, treatment, and transmission of water operated and maintained by the City in the Tuolumne, Stanislaus, San Joaquin, Alameda, Santa Clara, and San Mateo Counties, plus three reservoirs in San Francisco itself. The regional water system provides water to the City and the PUC's 29 wholesale customers, who disperse the water to 1.6 million clients in Alameda, San Mateo, and Santa Clara Counties.

[3] The local water system delivers water from the regional water system throughout the City and stores a portion of it locally in City reservoirs.

[4] The clean water system collects, treats, and disposes City sewage and storm water. The City also contracts with public sector agencies in San Mateo County to provide wastewater services.

(a) 37 regional water system capital improvement projects, including three reservoirs within City boundaries which are considered to be regional assets. These 37 projects would cost a total of $2.913 billion of which regional customers would pay approximately $2 billion (approximately 69 percent) and San Francisco ratepayers would pay approximately $913 million (approximately 31 percent), as itemized in Attachment V. This split in financing responsibility is discussed in Comment No. 6.

(b) 40 local water system capital improvement projects at a cost to San Francisco ratepayers of $715 million.

The total cost to San Francisco ratepayers of these 77 projects is $1.628 billion. The proposed revenue bonds in the amount of $1.628 billion would fund:

- $937 million for the actual project construction costs (approximately 57.6 percent of the total $1.628 billion cost).
- $210 million in escalation costs assuming 3 percent annual inflation during the 13 year construction period (approximately 12.9 percent of the total $1.628 billion cost).
- $185 million in program contingency costs and management reserves (approximately 11.4 percent of the total $1.628 billion cost). According to Ms. Karol Ostberg of the PUC, this amount includes a 10 percent margin for program contingencies for the purpose of completing the program on budget and on schedule (10 percent of total construction and escalation costs is $115 million). The contingency will only be available for changes in scope and design that cannot be foreseen at the capital improvement program's outset. In addition, there is a 6 percent management reserve (6 percent of total construction and escalation costs is $69 million). Management reserves are required by large capital improvement programs in order to manage externally imposed conditions, critical emergencies, and other conditions that cannot be predicted in advance.

- $296 million for financing costs (approximately 18.2 percent of the total $1.628 billion cost). This amount comprises:

Financing Costs	Cost
Costs of issuance[5]	$16,280,000
Reserve fund deposit[6]	115,292,000
Bond insurance premium[7]	8,140,000
Capitalized interest fund[8]	156,288,000
Total:	$296,000,000

The breakdown of this $1.628 billion in costs between regional water projects and local water projects is shown in the following table:

	Construction	Construction Inflation	Contingency & Management Reserve	Financing Costs	Totals
Regional Water	$519,437,000	$123,899,000	$103,792,000	$166,026,000	$913,154,000
Local Water	417,854,000	85,814,000	81,296,000	129,974,000	714,938,000
TOTAL:	$937,291,000	$209,713,000	$185,088,000	$296,000,000	$1,628,092,000*

* Note: Rounds to $1.628 billion.

All expenditures of bond proceeds for capital improvement program purposes, and all capital budgets, are subject to appropriation approval by the Mayor and the Board of Supervisors.

[5] Costs of issuance include (a) rating agency fees (an estimated $6,512,000 or approximately 40 percent of the total costs of issuance), (b) bond counsel fees (an estimated $5,698,000 or approximately 35 percent of the total costs of issuance), (c) financial advisory fees (an estimated $2,442,000 or approximately 15 percent of the total costs of issuance), and (d) printing and distribution of official statements, and other related fees (an estimated $1,628,000 or approximately 10 percent of the total costs of issuance).

[6] The debt service reserve fund is equal to maximum annual debt service.

[7] A bond insurance policy makes scheduled debt service payments if the issuer fails to do so. Bond insurance provides an issue an AAA rating and the resulting lower interest rates save more than the cost of the bond insurance premium, according to Ms. Ostberg.

[8] The capitalized interest fund is for bond proceeds which are reserved to pay interest on an issue for a period of time early in the term of the issue when capital improvement project construction is commencing.

The proposed resolution to authorize a $1.628 billion revenue bond issue, although considerably smaller than the original $3.628 billion proposal, would remain the largest single voter authorization ever put before San Francisco voters. As noted above, the $1.628 billion in revenue bonds would finance the 77 water system capital improvement projects listed in Attachment V.

Comments:

Capital Improvement Program Planning

1. In February of 1998, the PUC published a draft long-term Water Enterprise capital improvement plan which identified projects cumulatively costing an estimated $3.5 billion and initiated development of a Program Management Consultant contract to assist with delivering such a large capital improvement program. In January of 2000, two long-range financial reports by Bartle Wells Associates recommended that the PUC develop and adopt an integrated capital improvement program and long-range financial plan. In February of 2000, the State Auditor General recommended the completion of a long-range capital improvement program financial plan. In April of 2000, the PUC published a *Water Supply Master Plan* and a *Facilities Reliability Plan* which identified critical water system capital improvement projects, most of which were included in prior reports, but which failed to develop financing plans. On August 28, 2000, the Board of Supervisors authorized the first year of a four-year Program Management Consultant contract between the PUC and the San Francisco Water Alliance[9], now renamed the Water Infrastructure Partners (see Comment No. 17). Since then, the PUC and the Program Management Consultant have worked to develop plans which (a) prioritized capital improvement projects in terms of their ability to improve reliability and reduce exposure to risk, (b) accurately estimated individual capital improvement projects' costs, (c) specified the project activities and staffing required to complete individual capital improvement projects, and (d) included financing plans.

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[9] The San Francisco Water Alliance was a joint venture of Bechtel Infrastructure Corporation, The Jefferson Company, and Sverdrup Civil, Inc.

2. The PUC hired a permanent General Manager in September of 2001 who focused on further development of the capital improvement program. In January of 2002, the General Manager presented the PUC with revised draft capital improvement plan documents. In response, the PUC requested public hearings to solicit feedback from local ratepayers and regional customers. Further revisions to the draft capital improvement program documents were made based on the input received at the public hearings, and on May 28, 2002, the PUC approved three key documents:

- A *Long-Term Strategic Plan for Capital Improvements* which identifies strategic objectives and performance measurements to guide the capital improvement program.
- A ten-year capital improvement program showing capital improvement program costs and schedules. Ms. Ostberg advises that all projects will begin construction within ten years, but that some may take up to an additional three years to close-out or complete, for a total of 13 years.
- A *Long-Range Financial Plan* which recommends an optimal strategy for financing the capital improvement program.

Evaluations of the Capital Improvement Program

3. Following a recommendation from the Mayor's Public Utilities Infrastructure Task Force, the PUC's General Manager hired R.W. Beck, an independent engineering firm, to review the development and validity of the entire capital improvement program, the PUC's ability to successfully implement a capital improvement program of that size, and the long-range financial plan. Ms. Ostberg states that R.W. Beck was selected by the PUC General Manager on the basis of that firm's reputation, experience with similar projects, independence from the PUC (it has no other business with the PUC), and availability. Appendix 1 to this report presents a digest of R.W. Beck's conclusions and recommendations.

4. In April and May of 2002, the R.W. Beck evaluation was reviewed by a Blue Ribbon Panel of professionals

selected by the PUC's General Manager in consultation with the San Francisco Planning and Urban Research Association (SPUR) who had expertise in water delivery, infrastructure, planning, finance, and other disciplines. This panel made a number of recommendations which are also summarized in Appendix 1 to this report.

5. Attachment I, provided by the PUC, states that the PUC agrees with all of the recommendations made by both R.W. Beck and the Blue Ribbon Panel, and states that it plans to implement those recommendations over the next two to three years.

Concurrent Legislative Developments

6. As outlined in Attachment I, provided by the PUC, the State Legislature is currently considering three bills which would impact the PUC's proposed capital improvement program. Of these three bills, SB1870 is supported by the PUC. SB1870 was originally proposed by the Bay Area Water Users Association to give wholesale customers more opportunity to be involved in financing regional water system capital improvement projects. SB1870 proposes to establish an independent entity, the San Francisco Bay Area Regional Water System Financing Authority, for the financing of regional water system projects. If enacted, the San Francisco Bay Area Regional Water System Financing Authority would assume responsibility for issuing revenue bonds in the amount of approximately $2 billion, or approximately 69 percent of the $2.913 billion regional water system capital improvement program costs for which wholesale customers are responsible. This would leave the City responsible for issuing revenue bonds for the remaining approximately 31 percent, or approximately $913 million, of the regional water system capital improvement program for which the City is responsible. The amount of $913 million for the City's share of the regional water system capital improvement program plus $715 million for the local water system capital improvement program totals the $1.628 billion revenue bond issue and/or other forms of revenue financing which are now being proposed under this legislation. Attachment I, provided by the

PUC, outlines the three State bills and their potential impacts on the PUC's capital improvement program.

Capital Improvement Program Funding

7. According to Ms. Ostberg, the general provisions of the sale of the Water Revenue Bonds would be as follows:

- The timing of the issuance of the water revenue bonds each year would be determined by market conditions and capital improvement project spending rates. While the table below aligns projected bond issuance dates with projected capital improvement project expenditures, funding in certain years could initially take the form of commercial paper or other variable rate interest debt to be refunded by later bond issues, if financially advantageous to the City.
- At any given time, the PUC might have financing in place such as commercial paper to serve as interim financing during the capital improvement project construction phases, as well as 30 year term fixed or variable rate bonds to provide permanent financing once construction is completed.
- The PUC expects to actively seek and take advantage of other financing sources as they become available, including State or Federal grants, extraordinary revenues (for example, one-time revenues from surplus land sales), and State revolving funds. Such alternative sources, if available, would reduce the amount of bonds which would need to be issued and would lower the overall capital improvement program costs.
- Each type of financing would require the prior approval of the Mayor and the Board of Supervisors.
- The water revenue bonds would be issued at an interest rate not to exceed 12 percent, or whatever future cap (if any) is set by State law.

8. Attachment II, provided by the PUC, shows the projected debt service schedule for proposed revenue bonds in the amount of $1.628 billion to be issued during the period of FY 2003-2004 through FY 2031-2032. Ms. Ostberg states that the average annual debt service payment will be $85 million for each of the 30 years from

FY 2003-2004, and the total debt service payment over 30 years will be $2.551 billion.

9. Attachment III, provided by the PUC, shows that San Francisco ratepayers currently pay the second lowest average water rates in the Bay Area. In FY 2002-2003, San Francisco ratepayers pay an average monthly water bill of $14.43, compared to an average monthly water bill of $17.51 across the 12 Bay Area jurisdictions. However, as shown in the table below, San Francisco ratepayers' share of water system projects would be paid for by projected gradual increases in water rates from an average monthly bill of $17.16 in FY 2003-2004 to an average monthly bill of $47.07 in FY 2015-2016, a $29.91 per month or approximately a 174.3 percent increase using 2003 dollars. Ms. Ostberg advises that the water rates of other utilities will also increase during this period as a result of their own capital improvement programs or because they are wholesale customers of the PUC.

Even though the proposed resolution reduces the revenue bond amount by $2 billion, from $3.628 billion to $1.628 billion, the water service rate increase for San Francisco ratepayers would remain 174.3 percent. This is because San Francisco ratepayers' share of the water system capital improvement program remains $1.628 billion under either proposal, comprising $913 million for the City's share of regional water system capital improvement projects and $715 million for local water system capital improvement projects. The remaining $2 billion of regional water system projects would be funded by regional water customers.

According to Mr. Bill Berry of the PUC, concerns have been expressed by representatives of residential landlords and tenants over whether or not the proposed resolution should permit residential landlords to recover water rate increases from tenants in units covered by the provisions of Chapter 37 of the San Francisco Administrative Code (the Residential Rent Stabilization and Arbitration Ordinance). As of the writing of this report, no decision has been made whether or not to include a pass-through provision in the proposed resolution.

10. The following tables present (a) the PUC's projected sale of revenue bonds or other instruments in the amount of $1.628 billion, and (b) the impacts on residential rates for San Francisco households during the period of FY 2003-2004 through FY 2015-2016.

Projected Bond Issuance Schedule

Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Amount of Financing Issued	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)
Regional Water	$7	$17	$24	$67	$105	$132	$130
Local Water	10	20	53	67	77	154	133
Annual Total	$17	$37	$77	$134	$182	$286	$263

Fiscal Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Totals
Amount of Financing Issued	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)
Regional Water	$165	$79	$66	$56	$44	$21	$913
Local Water	77	31	56	37	0	0	715
Annual Total	$242	$110	$122	$93	$44	$21	$1,628

Anticipated Impact on Residential Customers

Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Average monthly cost to SF households	$17.16	$20.42	$22.46	$24.71	$26.93	$29.35	$32.00

Fiscal Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
Average monthly cost to SF households	$34.88	$38.01	$41.06	$43.11	$45.26	$47.07	

11. The water rates for San Francisco businesses between Fiscal Year 2003-2004 and 2015-2006 would increase by an estimated 174.3 percent using 2003 dollars, the same increase projected for residential users.

12. The Amendment of the Whole proposes that the maximum principal amount of $1.628 billion could be reduced if the Board of Supervisors determines that San Francisco ratepayers would benefit from having the proposed San Francisco Bay Area Regional Water System Financing Authority finance, in whole or in part, the City's portion of the regional water capital improvement program. According to Ms. Theresa Alvarez of the City Attorney's Office, if the San Francisco Bay Area Regional Water System Financing Authority finances such projects, the City would need to take one of two actions in order to be a voting member of the San Francisco Bay Area Regional Water System Financing Authority, as required by SB1870. The City would either have to seek voter approval to (a) repeal Proposition H, or (b) impose a surcharge on retail water rates so that San Francisco ratepayers pay their share of the debt service on the bonds issued by the San Francisco Bay Area Regional Water System Financing Authority, and its operating expenses, given Proposition H constraints on water service rate increases. Ms. Alvarez states that if the proposed resolution is not approved by the voters, then the same powers could be obtained through the proposed Charter Amendment described in Comment No. 22 below. The size of the surcharge would be dependent upon the amount of debt incurred by the San Francisco Bay Area Regional Water System Financing Authority and the interest rates applying at the time the debt is incurred.

13. Ms. Ostberg states that during the public hearings on the PUC's proposed capital improvement program, the PUC received considerable public comment from all customer classes on the impact of the proposed bond measure on those least able to pay higher rates. Therefore, the PUC intends to initiate a rate study to (a) review the PUC's rate structure, (b) ensure that rates are fairly distributed among customer classes, and (c) incorporate a means to support conservation and recycling initiatives. The rate study results are expected in early

2003, after the November of 2002 election but prior to the first issuance of the proposed bonds and the resulting rate increase. Ms. Ostberg advises that this rate study cannot be completed earlier because its largest component, a demand study, requires examination of the peak demand period of September through October of 2002. Ms. Ostberg advises that a rate study has not already been completed because (a) the PUC lacked a permanent General Manager, and (b) one of the key lessons learned from the public hearings was the public's desire to better understand the PUC rates structure.

14. Appendix 2 to this report provides additional information on the PUC's Water Enterprise credit ratings, other financing options if voters do not approve the proposed revenue bonds, and Charter Section 9.107 exceptions.

15. As noted above, the proposed resolution does not cover the current estimate of $996 million needed to fund the ten projects designed to replace or repair aging clean water facilities. According to Ms. Ostberg, the public outreach hearings on the capital improvement plan held by the PUC in the Spring of 2002 identified a lack of community support for the Clean Water capital improvement projects selected by the PUC and raised a number of environmental issues. Therefore, the PUC General Manager is recommending that the PUC prepare a separate, comprehensive sewer service master plan over the next 18 to 24 months. Ms. Ostberg states that the PUC anticipates bringing a Clean Water Revenue Bond proposal to the Board of Supervisors during calendar year 2004.

Program Management Consultant

16. On August 28, 2000, the Board of Supervisors approved a four-year contract between the PUC and the San Francisco Water Alliance[10] for program management services related to the capital improvement program

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[10] The San Francisco Water Alliance consisted of Bechtel Infrastructure Corporation, Sverdrup Civil, Inc., and The Jefferson Company.

(Board Resolution 754-00), subject to annual Board of Supervisors approval to renew the contract.

17. On March 28, 2002, Bechtel Infrastructure Corporation withdrew from Contract Year 2 of the Program Management Consultant contract, thus terminating its contractual relationship with the City. The remaining joint venture partners, now consisting of Primus Industries, Inc.[11] and Jacobs Civil, Inc.[12] and renamed the Water Infrastructure Partners, requested that the PUC reassign the program management services contract to their reconstituted joint venture, with Jacobs Civil, Inc. as the lead partner responsible for meeting the contract requirements, the role formerly performed by Bechtel Infrastructure Corporation[13]. PUC staff determined that the reconstituted joint venture met or exceeded each of the original Request for Proposals' requirements and was therefore qualified and competent to assume responsibility for completing the contract term. The PUC accepted the proposed reassignment of the contract to the reconstituted joint venture, subject to Board of Supervisors approval to (a) reassign the contract, (b) waive the competitive procurement requirements of Administrative Code Sections 6.40 *et seq.*, and (c) release the remaining contract funds for Contract Year 2 which expires on September 21, 2002. Board of Supervisors approval was granted on June 17, 2002 (File 02-0905). According to Mr. Jeet Bajwa of the PUC, it is the PUC's intention to request that the Board of Supervisors

[11] On October 1, 2000, The Jefferson Company changed its name to Primus Industries, Inc. Mr. Jefferson states that he is the sole owner of Primus Industries, Inc. According to Ms. Lillie Sunday of Primus Industries, Inc., on October 1, 2000 The Jefferson Company changed its name to Primus Industries, Inc. "to provide the necessary infrastructure required to support our rapid growth in size, services, and capabilities. We operate as Primus Industries, Inc. with two subsidiary companies: Primus Transportation Company, and Primus Infrastructure Company." Mr. Jeet Bajwa of the PUC states that when The Jefferson Company's name change to Primus Industries, Inc. took place on October 1, 2000, the Human Rights Commission was advised immediately and Human Rights Commission certification was issued on March 12, 2001. However, for the purposes of the former San Francisco Water Alliance contract, The Jefferson Company name was left unchanged.

[12] On March 1, 2002, Sverdrup Civil, Inc. was purchased by Jacobs Civil, Inc. and ceased to exist as a separate entity.

[13] In a March 28, 2002 letter to the PUC's General Manager, Mr. James Jefferson, President and CEO of Primus Industries, Inc. and Ms. Darlene Gee, Vice-President of Jacobs Civil, Inc. state: "We propose to rename our joint venture, if desirable, to allow a clean break from the association with past perceptions. We would restructure the joint venture and designate Jacobs Engineering as the lead. Everything else would remain unchanged."

approve Contract Year 3 continuation of the contract with the renamed Water Infrastructure Partners (September 22, 2002 through September 21, 2003).

18. The Controller has performed three audits of the Program Management Consultant's performance against its task orders, short-term performance measures, and long-term performance measures (July 20, 2001, October 2, 2001, and April 8, 2002). In August and September of 2001, an independent Peer Review Panel reviewed the work of the Program Management Consultant [14]. In May of 2002, the PUC completed a new performance evaluation of the Program Management Consultant which concluded that during the first half of Contract Year 2 the Program Management Consultant performed as follows. On a scale of 1 (did not deliver as agreed), 2 (partial fulfillment), and 3 (delivered as agreed), the Program Management Consultant scored 3 for "adherence to project schedule" and "task management", 2.61 for "adherence to project schedule," and 2.58 for "quality of work" in relation to 12 tasks. Therefore, the PUC evaluated the Program Management Consultant as fully meeting half of its key performance measures.

19. The Budget Analyst notes that while the PUC intended to fully integrate PUC and Program Management Consultant staff during the first two contract years, such integration has not taken place. The Budget Analyst also notes that the ability of the Program Management Consultant to achieve significant, documented, and verifiable capital improvement program management savings remains unproven.

[14] The independent Peer Review Panel, convened to meet the Board of Supervisors requirement for an independent peer review of Contract Year 1 of the San Francisco Water Alliance contract, comprised Mr. Paul Findley and Mr. Peter Talbot of Malcolm Pirnie, Inc. (a private company of environmental engineers, scientists, and planners) and Dr. Douglas Selby, Deputy City Manager of the City of Las Vegas. A key recommendation of that peer review was that performance measures should be established within each task order issued to the Program Management Consultant by the PUC.

Workforce Issues

20. Since the Budget Analyst's first report on the Program Management Consultant contract issued in August of 2000, the Budget Analyst has noted the PUC's historic inability to fill vacant engineering positions in the PUC's Utilities Engineering Bureau. According to Ms. Therese Madden of the PUC, as of July 3, 2002 the Utilities Engineering Bureau has 60 vacancies out of 197 positions in total (approximately 30.5 percent). Of these 60 vacancies, 40 are in engineering classes, out of 119 engineering positions in total (approximately 33.6 percent), and ten are in technical classes. Ms. Madden states that the PUC has initiated the hiring process for 11 of the 40 vacant engineering positions. Ms. Madden advises that the majority of the remaining 49 vacant engineering positions are in classifications which now have eligible lists, and therefore hiring appointments could be made immediately. However, the hiring process has not been initiated for those 49 vacant positions because such positions are to work on capital improvement projects funded by the proposed revenue bonds which have yet to be approved by the voters. Ms. Madden states that the Utilities Engineering Bureau does plan to initiate the selection processes for these 49 vacant positions in the Fall of 2002, in advance of the voters' approval of the proposed revenue bonds, so that potential candidates can be hired and begin work as soon as the revenue bonds are approved.

21. For FY 2002-2003, the PUC requested $1,849,491 to establish a Capital Improvement Program Team to manage the capital improvement program. The Budget Committee has recommended this request for approval by the Board of Supervisors. The requested $1,849,491 includes $1,186,491 for 18 new positions (13.50 FTEs in FY 2002-2003) and $663,000 for contractual services, materials and supplies, and equipment. Ms. Madden states that the PUC has implemented a hiring plan to staff the new Capital Improvement Team by October 1, 2002. Recruitment has been underway for some time for the program manager positions, and the PUC is initiating an examination process to establish a permanent list for such positions. Selections are currently being made from

the Senior Engineer and Association Engineer lists. The PUC intends to make all administrative and clerical appointments by October 1, 2002, according to Ms. Madden. Attachment IV, provided by the PUC, contains the proposed capital improvement program staffing plan and an explanation of the FY 2002-2003 capital improvement program objectives.

Proposed Charter Amendment[15]

22. According to Ms. Vicki Clayton of the City Attorney's Office, a proposed Charter amendment (File 02-0887) would establish the PUC's exclusive control of water and clean water utilities; rate setting standards and methods; the transfer of surplus funds between utilities; independence in contracting; purchasing, hiring, and selection of contractors; reporting and planning requirements; and authorization of revenue bonds or other financing methods without voter approval, if this proposed Charter Amendment is adopted by the voters. Ms. Ostberg states that to the extent that this proposed Charter Amendment gives the PUC authority to issue bonds without voter approval, this Charter Amendment would negate the need for the proposed voter-approved revenue bond issuance of $1.628 billion in its current form.

Fire Department

23. While the PUC is responsible for managing the low-pressure water system, the Fire Department is responsible for managing the City's high pressure water system, the Auxiliary Water Supply System (AWSS). The Capital Improvements Advisory Committee expressed concern that the PUC has not consulted the Fire Department about the impact of its water system capital improvement projects on the AWSS. In Attachment I, Mr. Berry states that the proposed capital improvement program would not significantly affect, either positively or negatively, the performance or reliability of the Fire Department's AWSS.

[15] The other PUC Charter Amendment currently before the Rules and Audits Committee, File 01-2056, addresses PUC financing authority in relation to the power system only.

Revised 7/19/02
Item 1 – File 02-0910

Summary of the Issues Noted by the Budget Analyst:

1. The Budget Analyst notes a number of issues which could impact the size of, and potential voter support for, the proposed revenue bond issuance:

- The PUC's projected 174.3 percent increase in water rates payable by San Francisco residential and commercial ratepayers over the first 13 years of the capital improvement program would adversely impact San Francisco ratepayers.
- The PUC will not be able to issue its proposed rate study report, which will ensure that rates are fairly distributed among customer classes, before the November of 2002 election.
- The Proposition H water rate and sewer service charge freeze has had a negative impact on the PUC's credit ratings, increasing interest rates by an estimated 0.2 percent, which increases debt service by $2,000,000 annually for every $1 billion of revenue bonds issued. Proposition H does not expire until July 1, 2006.
- The need for the proposed voter-approved revenue bond issue could be negated if voters approve a Charter Amendment proposed for the November of 2002 ballot (File 02-0887) which would give the PUC authority to issue bonds without voter approval.

2. The Budget Analyst notes that the PUC's Program Management Consultant contract with the San Francisco Water Alliance, now reconstituted as the Water Infrastructure Partners, has, to date, failed to (a) fully integrate PUC and contractor staff, and (b) provide significant, documented, and verifiable capital improvement program management savings despite the PUC's assurances to the Board of Supervisors that such savings are achievable.

3. The Budget Analyst also notes the PUC's historic difficulty in filling vacant engineering positions in the PUC's Utilities Engineering Bureau which is a key resource for implementing the proposed capital improvement program funded by the proposed revenue bonds.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

APPENDIX 1: INDEPENDENT EVALUATIONS OF THE CAPITAL IMPROVEMENT PROGRAM

R.W. Beck

R.W. Beck's May 21, 2002 report on the capital improvement plan concluded that:

- While supportive of the capital improvement program planning approach, Bay Area Water Users Association (BAWUA) members are frustrated by the PUC's slow progress in implementing the capital improvements. BAWUA has introduced State bills to create an agency which would allow BAWUA members to directly fund needed regional water system capital improvements.
- BAWUA members are concerned whether the PUC intends to continue to be a regional water provider that will meet BAWUA members' water supply requirements for the long term.
- The criteria for selecting, sizing, and measuring the performance of capital improvement program projects needs to be more fully developed, with quantifiable objectives and standards.
- The proposed capital improvement projects are necessary to maintain the regional and local water systems.
- The proposed capital improvement projects are at varying levels of definition and investigation, so the accuracy of the cost and schedule information varies. The PUC and its Program Management Consultant had endeavored to standardize the costs and schedules. R.W. Beck characterized this work as "diligent" and "methodical," stating that the approach followed by the PUC and the Program Management Consultant was "consistent with, and probably better than that used by most similar utility systems in preparing CIP programs."
- The consolidated capital improvement program/long-range financial planning process clearly prioritizes projects, ensures better cost estimates, and provides a valid basis for approval and adoption.
- Annual review of the capital improvement program by the PUC is appropriate.
- Historically, the PUC has tracked capital improvement program costs by classification of project which makes it difficult to evaluate the performance of individual projects.
- The long-range financial plan is logically constructed and is based on reasonable financial assumptions.

- Proposition H[1] poses serious threats to the PUC's ability to maintain satisfactory reserves and coverage ratios to support the debt that will be needed to fund the capital improvement program.
- The community needs better information on the costs and trends in other cities facing similar issues.

R.W. Beck further concluded that there is a significant risk that the planned level of project delivery will not be achieved, especially in the initial years of the program, because of:

- The relative inexperience of the PUC's Capital Improvement Program Manager in implementing a capital improvement program of this magnitude and complexity.
- The vacancy of the Assistant General Manager for Infrastructure position. According to Mr. Jeet Bajwa of the PUC, this position has been vacant since November of 2001. After several internal PUC candidates were considered, the PUC hired an external recruitment consultant to advertise the position in May of 2002. Ms. Ostberg advises that an interim Assistant General Manager for Infrastructure, Mr. Donald Birrer, a former PUC General Manager, was appointed on July 1, 2002, while the national recruitment search continues. The PUC expects to fill the position by September of 2002, according to Ms. Ostberg.
- The PUC's cumbersome hiring practices.
- The status of the program/project monitoring and controls system. Mr. Bajwa states that an evaluation of several control system tools is currently underway, with a decision expected to be made in December of 2002.
- The potential 12 to 24 month delay in hiring a new program management services contractor if the current Program Management Consultant is replaced.

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[1] Proposition H, approved by the voters on June 2, 1998, freezes water rates at their current levels until July 1, 2006, proposed to the following exceptions:

- The rate freeze does not apply to the fees charged to customers located outside of San Francisco.
- The rate freeze could be suspended if the City declared an emergency, as defined by Charter Section 3.100.
- The rates could be increased to repay the money borrowed through the City's issuance of bonds for improvements to the water system approved by the voters in November of 1997 (Propositions A and B), but such increases cannot exceed a total of 18 percent during the period between July 1, 1998 and July 1, 2006.
- The rates could be increased to repay money borrowed from further improvements to the water system approved by voters in the future.

The effective date of Proposition H, July 1, 1998 followed two years of rate freezes self-imposed by the PUC. Therefore, Proposition H froze rates at their 1996 levels through June 30, 2006, with the exception of the 18 percent increase allowed for debt service related to Propositions A and B Water Revenue Bonds. Of the $304,000,000 authorized by Propositions A and B, the issuance of $140,000,000 in Water Revenue Bonds during FY 2001-2002 necessitated an 8.65 percent average rate increase for retail customers. The anticipated issuance of the remaining $164,000,000 in Water Revenue Bonds during FY 2002-03 will necessitate a further 8.60 percent average rate increase for retail customers, for a compounded cumulative rate increase of 17.99 percent over two years, thereby hitting the 18 percent cap imposed by Proposition H (File 02-0904)

- The need for a tenfold increase in the rate of project delivery. The PUC has historically developed and implemented capital projects at a slow pace.
- The lack of project accountability related to cost and schedule.
- The lack of an Asset Management Plan to follow-up on capital improvement projects after completion.
- The cumulative effect of all of the tasks scheduled to be accomplished over the next 12 months.

Based on the above conclusions, R.W. Beck recommended that the PUC:

- Coordinate with BAWUA to (a) refine the Regional Water Master Plan to reflect mutually agreeable performance standards, (b) conduct an integrated resources management plan, and (c) evaluate alternative regional associations for implementing critical regional water improvements.
- Formally adopt the capital improvement program, establish a process for the annual update, reporting, and/or approval of changes, and declare that the PUC intends to be a long-term regional provider of water.
- Continue to use the cost model, capital improvement program scheduling, and "optioneering"[2] tools developed over the last two years.
- Make hiring an Assistant General Manager for Infrastructure a top priority to (a) manage external communications and expectations, and (b) develop a Business Plan with the Program Management Consultant.
- Establish a joint venture between the PUC's Capital Improvement Program Group and the Program Management Consultant to establish a clear and integrated working relationship between the two organizations. Such an arrangement is not unusual in implementing major public sector projects with private consultants, according to R.W. Beck.
- Develop a dual-track or contingency plan approach for capital improvement plan implementation during the first several years.
- Develop an Asset Management Plan to track future system maintenance and capital replacement requirements.
- Implement a capital improvement program oversight committee to conduct an annual review of the capital improvement program.
- Implement an internal Technical Advisory Committee to provide oversight of individual capital improvement program projects.
- Streamline PUC review and approval processes.
- Capitalize interest over three years rather than two years to better represent the costs incurred prior to project commercialization.

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[2] "Optioneering" is a process which uses alternative analyses to (a) identify the real project needs, (b) determine the appropriate evaluation criteria, (c) evaluate solutions against those criteria, (d) select the optimum project, (e) define the design base, and (f) obtain engineering and customer concurrence. The optioneering assessment should include capital and operating costs, specification requirements, environmental implications, and preliminary schedules.

- Take the steps necessary to protect bond ratings given the capital improvement program's debt financing requirements.
- Review the formula for calculation of Suburban Water Revenue Requirements when the Master Water Sales Contract is renewed. If possible, the PUC should amend the Master Water Sales Contract (which is due to expire on June 30, 2009) prior to any additional bond issues. If revenues can be more closely tied to debt service, the financial community's confidence should be enhanced.

Blue Ribbon Panel

In April and May of 2002, the R.W. Beck evaluation was reviewed by a Blue Ribbon Panel of professionals with expertise in water delivery, infrastructure, planning, finance, and other disciplines, convened by the San Francisco Planning and Urban Research Association (SPUR)[3]. The Blue Ribbon Panel concluded that the R.W. Beck evaluation was "very competent, comprehensive, rigorous, accurate and on target for this stage in the [capital improvement] program." The Blue Ribbon Panel further recommended that:

- Develop project management and accounting mechanisms which allow for real-time assessment of project status and cost-run rates, and which are consistently applied to all capital improvement projects.
- Fully integrate the Facilities Reliability Program (seismic) and the Water Supply Master Plan (conservation, desalination, and recycling), and develop detailed, regularly updated system recovery plans.
- Clearly delineate seismic design, water reliability, and drought supply standards. The capital improvement program should be flexible enough to adapt to higher water treatment standards in the future. An analysis should be conducted of whether system replacement every 100 years is an acceptable life cycle.
- Explain to the public the reasons for potential uncertainties in project cost estimates in order to allay public concerns about budget overruns.

[3] The panel members were (a) Jim Chappell, SPUR, (b) Margaret Bruce, Silicon Valley Manufacturing Group, (c) Dennis Diemer, East Bay Municipal Utility District, (d) David Dowall, University of California, (e) Jeanne Myerson, San Francisco Chamber of Commerce, (f) John Wise, Natural History Institute, and (g) Greg Zlotnick, Santa Clara Valley Water District.

- Report on the projects planned and completed pursuant to Propositions A and B[4], as well as an assessment of who those projects relate to the capital improvement program.
- Develop a larger policy context to guide implementation and define priorities in terms of environmental stewardship, environmental justice, stakeholder involvement, the PUC's role, regional service commitments, integrated resource planning, and regional crisis planning. Once policies and goals are established, they should be translated into performance measures.
- Streamline contracting procedures and incorporate penalties for cost overruns, sharing of cost savings, and bonuses for completion ahead of schedule.
- Clearly differentiate between projects which require permanent staff (for ongoing utility functions) and projects which require consultants (for time-defined tasks).
- Develop a rate structure which includes incentives for suburban customers to reduce peak water usage. Reduction of future peak demands could reduce the size of future facilities and, therefore, capital improvement program costs.
- Take account in the long-range financial plan of lower interest rates for bond money.

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[4] In November of 1997, voters approved $157,000,000 of Water System Reliability and Seismic Safety Bonds and $147,000,000 of Safe Drinking Water Revenue Bonds, for a total of $304,000,000. According to Ms. Ostberg, the PUC spent the first 18 months planning and designing the construction projects and putting a commercial paper program into place. While the ordinances indicated that revenue bonds would be the ultimate funding source for the projects authorized by Propositions A and B, from July of 1999 the PUC used commercial paper to fund the initial expenditures because commercial paper provided greater flexibility and lower interest rates. The PUC issued $140,000,000 of these bonds in August of 2001, of which approximately $85,000,000 was used to refund outstanding commercial paper notes, and the remaining $164,000,000 is anticipated to be sold in FY 2002-03. The proceeds of that second issue will, after payment of issuance costs, be used to retire all outstanding commercial paper notes, and the remainder will be applied towards approved Proposition A and B projects. Of the seismic and safety projects, at February 28, 2002, 35 percent were complete, 57 percent were underway, and 8 percent had not been started. Of the water quality projects, at February 28, 2002, 28 percent were complete and 72 percent were underway.

APPENDIX 2: FINANCING ISSUES

Water Enterprise Credit Rating

On June 10, 2002, the Budget Analyst issued a *Review of Best Practices for Financing Large Capital Improvement Projects at Municipal Utilities in the State of California*, which was prepared in conjunction with the Legislative Analyst's Office, the Mayor's Director of Public Finance, and the PUC. In that report, the Budget Analyst concluded that the Proposition H rate freeze has had a negative impact on the Water Enterprise's credit ratings.

Prior to the rate freeze, Moody's rated the Water Enterprise as "Aa" and Standard and Poor's rated the Water Enterprise as "AA with a stable outlook." Now, Moody's rates the Water Enterprise as "A1" and Standard and Poor's rates it as "A+ with a stable outlook." Of the 12 major Californian public utilities surveyed by the Legislative Analyst's Office, the Water Enterprise (in combination with the Clean Water Enterprise) had the lowest Moody's and Standard and Poor's ratings. Both rating agencies advised the Legislative Analyst's Office that ratings upgrades would not occur until the Water Enterprise's financial profiles, as measured by factors such as debt service ratios, improve dramatically, coupled with reassurances that the capital improvement program would be implemented and supported with a credible and sustainable financial plan. Such financial improvements could only occur by increasing water service rates and obtaining rate-making authority to further increase water service rates in the future in order to ensure financial stability, flexibility over capital improvement program implementation, and funding authorization.

Financial projections for the Water Enterprise indicate that its financial viability will largely be maintained through FY 2006-2007, and that the City will be able to meet the debt service coverage requirements contained in the Water Revenue Bond covenants[1]. However, these projections do not include funding the capital improvement program's water projects. The Mayor's Director of Public Finance, Ms. Monique Moyer, estimated that the Water Enterprise's lowered credit ratings would result in a 0.2 percent increase in interest rates if the PUC issued new revenue bonds today, which is $2,000,000 of additional debt service annually for every $1 billion of revenue bonds issued.

[1] Debt service coverage requirements in the revenue bond indentures require that net revenues, together with unappropriated fund balances, in each fiscal year must be equal to at least 1.25 times more than the revenue bond annual debt service due in that fiscal year.

Other Financing Options if Insufficient Voter Support

According to the *Long-Range Financial Plan*, without additional voter-approved debt, capital investment in the water system will be limited to the approximately $20,000,000 annually which can be supported by operating revenues. Attachment I, provided by the PUC, explains the full range of options available to the PUC if the proposed bond measure was not passed by the voters. These options are:

- Delaying projects until voter approval is secured.
- Delaying replacement and repair projects until after the July 1, 2006 expiration of the Proposition H rate freeze, at which time three-quarters of the Board of Supervisors could approve such projects (barring any other voter-imposed restriction).
- Losing PUC control of the regional water system to a regional financing authority.

The Budget Analyst notes that there is also the option of entering into an agreement with regional water service customers, and perhaps with the State, to permit regional participants to directly finance regional projects and jointly assume the risks involved. Under this scenario, the city would pay one-third of the cost of such projects by making payments to a Joint Powers Authority formed by its customers. This approach would raise issues about the ownership of improvements, operation of the regional system, and the governance and powers of the Joint Powers Authority.

Charter Section 9.107

There are exceptions to the voter approval requirement of Charter Section 9.107 which mandates that the issuance of revenue bonds for the water system be approved by a simple majority of the electorate. Revenue bonds can be issued for the water system with a three quarters approval of the Board of Supervisors if the proceeds of such bonds are used to: (a) comply with a State or Federal order, (b) reconstruct or replace existing water facilities under the PUC's jurisdiction, or (c) create or maintain alternative energy sources.

In Attachment I, Mr. Bill Berry of the PUC advises that "a portion of the projects for the local water system qualify for financing pursuant to this provision." However, Mr. Berry notes, as a result of the Proposition H rate freeze, rates could not be raised to fund debt service on bonds that do not have voter approval. Therefore, issuance of bonds under Charter Section 9.107 would be restricted until after July 1, 2006, and could be restricted by future voter action.

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 3, 2002

TO: Board of Supervisors' Budget Analyst cc: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: Water Bond Measure (File 02-0910)

Summary

This memorandum is intended to respond to certain questions raised by the Board of Supervisors' Budget Analyst in its review of the proposed bond measure for the Water Enterprise.

Follow-up to RW Beck & Blue Ribbon Panel

As noted in the Budget Analyst's report, the SFPUC retained RW Beck to review its proposed Capital Improvement Program and Long-Range Financial Plan. RW Beck was selected by the SFPUC based on Beck's national reputation for providing independent reviews associated with Bond Financings and capital programs in the water and wastewater areas, and because RW Beck had not provided other consulting or engineering services to the SFPUC in the past.

RW Beck's report provides a review of three areas:

- CIP Process: RW Beck reviewed the development and validity of the CIP as proposed by SFPUC staff.
- CIP Implementation: RW Beck reviewed the SFPUC's ability to successfully deliver the proposed program in an efficient and timely manner.
- CIP Revenue Requirements: RW Beck reviewed the proposed Long-Range Financial Plan.

In general, RW Beck concluded that the proposed CIP was developed through a Comprehensive Process, that the CIP projects are good and necessary, and that the CIP effort and level exceeded the norm. In addition, RW Beck concluded that the LRFP was logically constructed and functionally correct, and that the financial assumptions are reasonable.

In its review of CIP implementation, RW Beck noted a number of challenges, including leadership concerns, staffing and hiring, and concerns related to the SFPUC's program management consultant. RW Beck provided a number of specific recommendations, with which the SFPUC concurs completely. The SFPUC has already initiated follow-up in a number of key areas:

- Leadership: The SFPUC has hired Don Birrer (formerly Executive Director of the Clean Water Program and General Manager of the SFPUC) as Interim Assistant General Manager for Infrastructure to provide high-level leadership to the CIP. The SFPUC's new CIP Group and its Utilities Engineering Bureau, led by Karen Kubick and Michael Quan, respectively, will report to Mr. Birrer. In addition, the SFPUC has a recruitment effort underway to identify and hire a permanent AGM for Infrastructure,

with the expectation that this process will be completed by the end of September 2002.

- Program Management Consultant: With the concurrence of the Board of Supervisors, the SFPUC has retained the Water Infrastructure Partners, led by Jacobs Engineering and Primus Inc., as its program management consultant following the departure of Bechtel from the San Francisco Water Alliance joint venture.
- Staffing and Hiring: The SFPUC has undertaken a concerted effort to identify and hire qualified candidates to fill positions critical to implementing the capital improvement program. The initial results of a widespread recruiting effort are encouraging and we expect to have the key positions filled within the next few months.
- Other Recommendations: The SFPUC concurs with most of the implementation-related recommendations from RW Beck and is committed to implementing them under the direction of the AGM for Infrastructure and with the support of other departments of the SFPUC.

As noted in the Budget Analyst's report, an independent Blue Ribbon Panel, at the request of the SFPUC's General Manager, reviewed the RW Beck evaluation. In addition to their conclusions about the excellent quality of RW Beck's review, the Panel provided a number of policy recommendations to the Commission. The SFPUC concurs with these recommendations and plans to implement them.

POTENTIAL IMPACT OF STATE LEGISLATION

The Budget Analyst's report notes the three bills under consideration by the California State Legislature that could impact San Francisco's control and operation of the Hetch Hetchy Water System. These bills are further described below:

- **SB 1870 (sponsored by State Senator Jackie Speier)**: This bill has been approved by the State Senate, is now pending in the Assembly, and the Governor has indicated his intention to sign it. Effective January 1, 2003, SB1870 would establish the San Francisco Bay Area Regional Water System Financing Authority to assist in financing construction of projects on the regional Hetch Hetchy system. Upon passage, it would be possible for the Authority to issue revenue bonds on behalf of the wholesale customers of the water system to finance regional projects. The Senate has approved this legislation, but passage by the Assembly is not expected until August. The Governor has indicated he will sign it.

  This could effectively reduce the proposed bond measure by approximately $2 billion. It would still be necessary, however, for San Francisco voters to approve bond financing for the San Francisco share of the cost of capital improvement projects on the regional system (approximately $900 million for the proposed CIP) and to fund projects related to the local distribution system (estimated at $715 million).
- **AB1823 (sponsored by Assemblyman Lou Papan)**: AB1823 would require the City to adopt a Capital Improvement Program and Emergency Response Plan by February 2003. The City would be required to complete nine specific regional water projects within a specific timeframe contained within the bill. The entire regional Capital Improvement Program would be subject to oversight by the State Department of Health Services (DHS), a role that heretofore they have not performed nor are equipped to perform within the state. The bill also further extends this DHS oversight on the operation and maintenance of the regional water system, including budgets and power operations. There are many other portions of the bill that the City has also found to be disagreeable. The City continues to oppose this bill

AB2058 (sponsored by Assemblyman Lou Papan): AB2058 creates the Bay Area Water Supply and Conservation Agency, which would have the ability to plan, finance, build, and operate facilities for collection, transmission, reclamation, reuse, and conservation. The Agency could also acquire water and water rights, develop and store water, and sell water.

If SB 1870 (Speier) were enacted, the San Francisco Bay Area Regional water System Financing Authority would be charged with issuing revenue bonds for the SFPUC's Regional Water Capital Improvement Program. In contrast, the Agency created by AB 2058 would be able to build various local water projects for the 29 wholesale customers who have agreed to participate in the authority, separate and distinct from the Hetch Hetchy system, AB 2058 would not impact the SFPUC's CIP.

R&R PROJECT FINANCING WITHOUT VOTER APPROVAL (CHARTER SECTION 9)

Under Charter Section 9.107, the SFPUC may, upon vote of three-quarters of the Board of Supervisors, issue revenue bonds "for the purpose of the reconstruction or replacement of existing water facilities" (R&R Bonds). As a result of the Proposition H rate freeze, rates could not be raised to fund debt service on bonds that do not have voter approval. Therefore, issuance of bonds under this provision of the Charter is restricted until after July 1, 2006, and could be further restricted by future voter action.

A portion of the projects for the local water system qualify for financing pursuant to this provision (an opinion of the City Attorney and Bond Counsel has been requested to further refine eligibility requirements). Therefore, it would be possible for the Board (upon the vote of three-quarters of the members) to approve the issuance of bonds for eligible projects beginning in four years. Voter approval would be necessary for non-R&R projects, or the bulk of regional facilities, local recycling projects, and selected other projects.

AVAILABLE OPTIONS IF BOND MEASURE FAILS

While there is evidence of strong public support for a bond measure intended to protect the water system, the following options are available if the proposed bond measure fails:

- Non-R&R projects would have to be delayed until voter approval is secured.
- Projects eligible for R&R status could be approved by three-quarters of the Board members for issuance after expiration of the Proposition H rate freeze. The CIP would have to be delayed until that time.
- Given the need to complete regional system capital projects, there is a risk that the State Legislature would adopt legislation removing SFPUC control of the regional water system, authorizing the issuance of revenue bonds by the Financing Authority, and requiring surcharges for San Francisco retail customers to cover their allocable share of debt service on bonds,

CIAC-RELATED QUESTIONS

The Budget Analyst's report notes certain questions raised by the Controller and the Mayor's Director of Public Finance at the June 28, 2002, meeting of the Capital Improvement Advisory Committee (CIAC). While the SFPUC is meeting with the Controller and Director on July 3, 2002, to further discuss their concerns, the SFPUC believes that its CIP and Long-Range Financial Plan provide the most reasonable method of estimating future costs and providing for uncertainty in inflation, interest rate and other assumptions. A discussion of the specific questions mentioned in the Budget Analyst's report is provided below:

- **SIZE OF PROPOSED BOND MEASURE:** The Commission has requested the Board place a \$3.6 billion bond measure on the November ballot to finance water system

improvements. As noted elsewhere in this memorandum, the creation of a Regional Financing Authority by SB1870 would provide a new mechanism for financing the share of costs supported by our wholesale customers, and reduce the required bond authorization to approximately $1.6 billion. The SFPUC is reasonably certain that this legislation will be approved and is willing to consider a reduction in the proposed ballot measure authorization at this time.

The Controller and Finance Director have questioned whether the proposed bond authorization might be reduced by changes in various assumptions, including some discussed below. It is important to note that our Long-Range Financial Plan provides a conservative estimate of future costs based on the cost estimates for capital projects contained in the CIP. We recognize that actual results will vary based on a variety of factors, and that we cannot provide certainty that the estimates provided for this program will be achieved. Nevertheless, it is important to let our ratepayers know what kind of rate increases they can expect to fund this program. If the proposed projects are executed according to the CIP schedule, the current LRFP provides the best estimate of the amount of required bonds and rate impacts.

- **IMPACT OF PROPOSED LEGISLATION:** The potential impact of the proposed Speier Legislation (SB1870) on the amount of bonds required has been addressed elsewhere in this memorandum. Financing projects on behalf of the regional wholesale customers using this mechanism represents a significant change in approach. Currently, costs allocated to the wholesale customers based on the Master Water Sales Contract. In general, projects must be completed and placed into service before the wholesale customers begin paying. The City must finance projects prior to that time, although capitalized interest is assumed during construction so as not to burden City ratepayers.

  On the other hand, after projects are placed in rate base, the wholesale customers pay a rate of return (based on the City's embedded cost of capital) and straight-line depreciation. The City recovers its full cost over the life of an asset using this methodology. However, the initial combination of rate of return plus depreciation exceeds the City's incremental debt service attributable to the wholesale customer's two-thirds share of project costs. This "extra" revenue has been used to keep rates for City customers lower than they would be if all customers, retail and wholesale, paid a *pro rata* share of debt service at all times.

  Therefore, one impact of financing wholesale costs under SB1870 will be somewhat higher rate increase estimates for City customers in the future. The SFPUC believes that this impact can be offset somewhat by the use of capitalized interest to phase in debt service costs gradually.

  Note that the change in methodology would not result in a shifting of the long-term burden of costs between City and wholesale customers, as the wholesale customers pay their full share of costs under the Contract.

- **CONSERVATIVE ASSUMPTIONS — CONTINGENCY AND MANAGEMENT RESERVES:** The CIP is built on cost estimates for each of the 77 individual projects in 2003 dollars. These costs are escalated based on the length of construction for each project and a three percent annual inflation rate. There is an expected variance on each project cost estimate because the projects have not completed final design and engineering. The San Francisco Water Alliance reviewed each estimate and conducted a statistical analysis to determine what the variability of the cost estimate for the entire program of 77 projects would be. They recommended a total 16 percent contingency and reserves to provide a 75 percent confidence of delivering the entire program within the overall cost estimate. Therefore, the program contains $409 million of

contingency and reserves for this purpose. These provide a measure of protection against cost overruns on individual projects and unforeseen events or changes in regulations. Contingencies of this nature are recommended for capital projects and programs, and the SFPUC believes the level of such funds for this CIP is appropriate. This belief has been confirmed by the independent engineering firm, RW Beck, that reviewed the CIP and LRFP.

- **AMOUNT OF CAPITALIZED INTEREST:** The LRFP assumes that interest will be capitalized for two years at the bond interest rate (5.5 percent) for each capital project. Without capitalized interest, it would be necessary to raise rates earlier and in greater amounts than is shown in the LRFP. The Controller questioned whether the capitalized interest assumption is based on the fact that City ratepayers must "carry" the cost for wholesale customers while projects are under construction. Capitalized interest is necessary irrespective of this factor. Without it, rates would have to be increased more quickly. In addition, if the projects for the Suburban customers are financed through the Financing Authority, as expected, capitalized interest will be more necessary to protect City ratepayers against higher rate increases required as a result of the loss of the incremental subsidy provided by the wholesale customers under the Contract.

  The capitalized interest amounts are conservative in a different sense, however. It is assumed that interest will be capitalized at the bond rate. It is the SFPUC's expectation that we will use commercial paper or other short term instruments to fund a portion of construction costs. CP carries significantly lower interest rates. However, the SFPUC has chosen to assume the higher costs because it cannot be assured of access to the credit and liquidity markets for CP at all times. Nevertheless, to the extent CP is used, the SFPUC would need to issue fewer bonds than assumed by the LRFP. Note that RW Beck recommended the SFPUC capitalize interest for three rather than two years. The SFPUC believes that the use of CP mitigates against the need to increase the amount of capitalized interest assumed in the LRFP.

- **IMPACT OF PROPOSITION H OR SUBSEQUENT REFERENDA:** Proposition H effectively freezes rates at 1998 levels through fiscal year 2006. There remains the possibility of a similar measure taking effect in future years which would inhibit SFPUC's ability to raise rates to support bonds necessary to finance essential improvements to the system.

- **ALTERNATIVE SCENARIOS USING CHARTER SECTION 9.107 R&R BONDS WITHOUT VOTER APPROVAL:** There are some projects which, in our opinion, may be qualified as "reconstruction" projects and as such could be financed without voter approval pursuant to the Charter. (We have requested the City Attorney to formally define "reconstruction" projects as it relates to the Charter.) However, bonds can only be supported by an increase in rates, which cannot occur under the terms of Proposition H period.

FIRE DEPARTMENT AWSS SYSTEM

The Fire Department's Auxiliary Water Supply System (AWSS) is functionally independent of the SFPUC's water distribution system. The AWSS storage facilities – Twin Peaks Reservoir, Jones Street Tank and Ashbury Tank – are filled with potable water form the PUC system, however, once the water enters the AWSS system it is no longer potable. There are no other physical connections between the two systems.

The AWSS system was conceived following the 1906 earthquake and fire. The AWSS system is designed to withstand higher water pressures and ground movement than the SFPUC's potable water system. In addition to the system's storage facilities, the AWSS can be supplied with salt water by the Fire Department's two pump stations or by fire boats through manifolds on the water front.

The AWSS system does not cover the entire City. The system coverage is most dense in the area north of Mission Street and east of Van Ness Avenue. Where it is available, however, it is routinely used by the SFFD in lieu of, or as a complement to, the water supply available through the SFPUC's distribution system. The AWSS's larger diameter lines and higher pressures make it a more effective fire fighting tool.

The vast majority of the work proposed in the CIP is in the regional water system, local storage, and local transmission systems. Transmission lines convey water to and between storage facilities, and distribution lines convey water to customers. The Fire Department's low pressure hydrants are connected to the SFPUC's distribution lines.

In summary,, the proposed CIP, because of it emphasis on regional water supply and transmission, will not significantly effect, either positively or negatively, the performance or reliability of the Fire Department's AWSS. Nor will the CIP include improvements to the local water distribution system such that it would improve the reliability or performance of the AWSS.

If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

SFPUC
WATER
HETCH HETCHY WATER & POWER
CLEAN WATER

San Francisco Public Utilities Commission

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

DATE: July 10, 2002

TO: Board of Supervisors' Budget Analyst

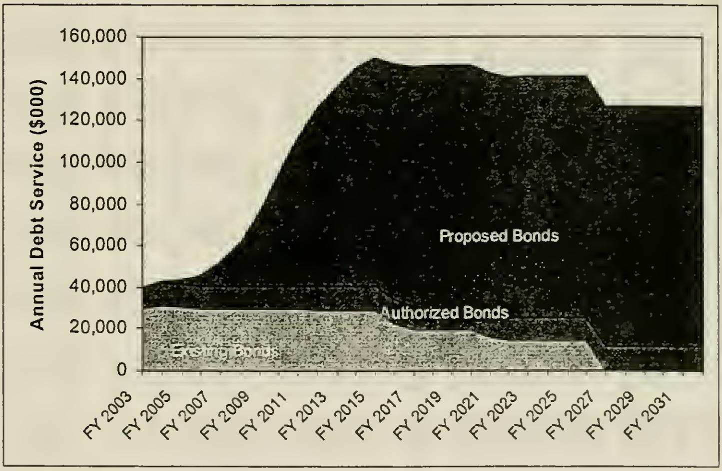
CC: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: **Water Bond Measure (File 02-0910)**

The following illustrates the projected debt service relating to the Water Enterprise if the entire amount of $1.628 billion of proposed bonds are issued. Attached are the numerical data that supports this table.

Projected Water Debt Service



If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
Case 3 - FY 2003 Phase C Budget, Additional R&R, CIP Funded w/Additional Bonds & Rate Increases

Description	FY 2002 (estimate)	FY 2003 (budget)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Fund Balance--July 1	175,591,704	81,829,736	35,717,801	29,206,210	18,377,853	18,206,442	28,117,996	36,714,130	40,784,814	58,661,604	64,113,810	65,603,003	64,182,660	89,054,898
Revenue														
Retail Water Sales--existing rates	84,989,132	76,979,376	77,361,257	77,748,063	76,136,804	78,527,488	76,920,125	79,314,729	79,711,299	80,160,850	80,510,405	80,812,957	81,317,522	81,724,108
Retail Water Sales--rate increases			14,608,636	32,350,868	43,577,877	56,027,870	60,478,542	82,153,144	87,168,878	113,653,316	131,747,481	148,471,731	161,785,920	174,821,350
Wholesale Water Sales Revenue	77,036,000	77,778,000	78,829,000	79,286,000	84,416,029	85,485,160	87,505,536	89,603,172	91,749,195	93,844,741	80,160,966	98,489,059	100,840,233	103,248,732
Interest Income on Fund Balances	6,401,225	3,999,014	3,052,524	2,877,795	2,841,816	3,142,852	3,602,074	4,412,732	5,089,304	6,814,532	5,060,350	6,222,624	6,243,373	6,211,500
Other Miscellaneous Income	15,874,032	11,560,000	11,500,000	11,500,060	11,500,000	11,500,000	11,500,000	11,500,060	11,500,000	11,500,000	11,500,000	11,500,600	11,500,000	11,500,000
Total Revenue	171,220,388	170,254,388	185,141,420	203,765,827	220,472,421	234,853,500	250,096,279	266,983,774	285,218,477	304,822,444	325,948,192	346,860,971	361,607,048	377,502,781
Operation and Maintenance Expenses														
Labor and Fringe Benefits	36,800,000	41,504,605	42,748,743	44,032,235	45,353,203	46,713,709	48,115,213	49,558,669	51,045,429	52,576,792	54,154,060	55,778,716	57,452,080	59,178,642
COWCAP	998,000	1,448,270	1,461,718	1,536,470	1,582,564	1,630,641	1,678,942	1,729,310	1,781,188	1,834,628	1,880,664	1,946,354	2,004,744	2,064,887
Non-Personal Services	3,548,000	6,362,265	6,573,733	6,770,945	6,974,073	7,183,295	7,360,794	7,620,758	7,849,361	8,064,882	8,327,408	8,577,230	8,834,547	9,099,584
Materials and Supplies	5,830,000	6,055,009	8,236,659	8,453,758	8,736,272	9,060,420	9,270,433	9,546,548	9,835,602	10,130,052	10,433,954	10,746,972	11,069,381	11,401,463
Equipment	2,000,000	2,443,435	2,516,736	2,592,240	2,670,007	2,750,108	2,532,611	2,917,586	3,605,117	3,095,270	3,188,128	3,283,772	3,382,285	3,483,764
Light, Heat, and Power	6,617,748	6,546,607	6,743,067	6,945,359	7,153,720	7,368,331	7,589,301	7,817,083	8,051,576	8,293,122	8,541,916	8,798,173	9,062,118	9,333,982
Services of SFPUC Bureaus	38,788,340	33,669,615	34,687,082	38,037,622	37,118,751	39,232,313	39,370,282	40,560,661	41,777,481	43,030,805	44,321,720	45,651,361	47,020,923	48,431,950
Services of Other Departments	7,860,835	7,542,571	7,768,848	8,601,914	8,241,871	8,480,230	8,743,607	8,806,224	9,276,411	8,954,703	9,841,344	10,136,585	10,440,682	10,753,603
Hetch Hetchy Assessment	18,037,060	19,037,000	16,808,110	20,196,353	20,802,244	21,426,311	22,069,101	22,731,174	23,413,100	24,115,502	24,838,607	25,584,138	26,351,660	27,142,210
Incremental O&M--CIP	-	-	-	-	-	1,824,820	2,330,141	4,097,109	10,836,728	12,230,655	12,507,585	12,876,613	13,364,778	13,768,721
Budget Close Outs	-	(1,954,817)	(1,110,685)	(1,144,005)	(1,178,320)	(1,213,875)	(1,250,088)	(1,287,588)	(1,326,215)	(1,366,002)	(1,406,082)	(1,449,192)	(1,492,668)	(1,537,448)
Total Operation and Maintenance Expense	122,179,923	123,869,820	120,565,914	133,452,892	137,454,478	143,504,763	148,157,719	155,160,514	165,648,205	171,500,307	176,727,808	182,020,643	187,400,532	193,115,248
Net Revenue	49,040,466	46,384,568	65,675,506	70,312,935	83,018,942	91,148,707	101,938,560	111,784,260	119,570,272	133,242,047	149,217,383	164,566,928	174,206,916	184,387,503
Debt Service														
Debt Service--Existing Bonds	28,664,434	29,361,663	36,800,813	30,075,758	29,300,430	29,396,145	29,360,259	29,365,363	29,358,200	29,322,050	29,307,500	29,203,607	29,207,900	29,306,767
Debt Service--Authorized Bonds	-	10,152,642	11,264,064	11,264,084	11,264,084	11,264,064	11,264,084	11,264,054	11,264,064	11,264,084	11,254,054	11,264,064	11,264,084	11,264,084
Debt Service--Proposed Bonds	-	-	446,153	1,631,764	5,213,264	11,459,727	21,115,375	35,763,842	63,441,460	71,074,241	85,123,262	65,452,650	104,064,872	109,585,658
Capitalized Interest Fund Cash Flow--Proposed Bo	-	-	(418,417)	(1,794,912)	(4,367,938)	(8,337,202)	(13,537,332)	(20,185,800)	(26,144,516)	(27,005,600)	(21,920,805)	(14,860,972)	(11,296,085)	(8,861,234)
Reserve Fund Cash Flow--Proposed Bonds	-	-	(31,736)	(136,792)	(360,049)	(772,181)	(1,391,746)	(2,310,506)	(3,354,253)	(4,368,712)	(5,054,865)	(5,803,267)	(5,015,822)	(6,178,583)
Net Debt Service	28,664,434	30,513,704	42,064,860	41,359,542	41,200,760	43,030,573	46,869,640	53,938,923	64,553,012	80,305,863	98,730,160	115,640,168	127,433,748	135,149,982
Net Revenue After Debt Service	20,378,032	8,870,865	13,460,609	28,953,003	41,808,152	48,118,134	55,608,020	57,847,337	55,017,260	52,030,184	50,476,167	48,926,760	46,772,767	49,237,521
Revenue Funded Capital Projects														
Repair & Replacement Projects	144,031,000	23,080,000	20,600,000	20,000,600	20,000,000	20,060,000	20,000,000	20,060,000	20,000,000	20,060,060	20,000,000	20,000,000	20,600,000	20,000,000
Additional Repair & Replacement Projects		-	-	10,783,750	20,077,283	22,200,580	23,472,778	24,778,601	26,120,270	27,503,878	28,028,994	36,360,604	31,608,770	33,460,033
Total Revenue Funded Capital Projects	144,031,000	23,060,900	20,000,000	30,783,750	40,877,283	42,208,580	43,472,778	44,776,961	46,120,270	47,503,878	48,028,994	50,360,864	51,008,770	53,460,033
Ending Fund Balance--June 30	51,926,730	35,717,601	29,208,210	18,377,553	10,205,442	25,117,996	36,714,139	49,784,514	58,881,504	64,113,810	65,603,603	64,192,860	50,058,896	54,828,383
Financial Performance Measurements														
Debt Service Coverage--Revenue Bonds--Indentur	7 836	2 460	2 169	3 408	2 480	2 505	2 711	2 753	2 623	2 300	2 161	1 991	1 671	1 801
Debt Service Coverage--Revenue Bonds--Current I	1 711	1 174	1 321	1 760	2 014	2 118	2.175	2 072	1 852	1 659	1 511	1 423	1 367	1 364
O&M Reserve--Beginning Fund Balance/O&M Budg	1 437	0 418	0 276	0 219	0 134	0 138	0 172	0 244	0 322	0 368	0 301	0 388	0.360	0 320
REVENUE ASSUMPTIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual Rate Adjustments from Solutions Sheet														
Convert to Annual % Increase (Directly Used)			19 60%	19 00%	10 00%	10 60%	9 00%	9 60%	9 00%	9 60%	9 60%	6 60%	5 00%	5 00%
Calculate Cumulative % Increase (Directly Used)			19 60%	41 61%	55 77%	71 35%	66.77%	103 58%	121 00%	141.67%	183 64%	164.73%	198 97%	213 92%
Average Monthly Retail Water Bill	$ 15 .9	$ 14 42	$ 17 18	$ 20 42	$ 22 46	$ 24.71	$ 28 03	$ 29 35	$ 32 60	$ 34 88	$ 38 01	$ 41 06	$ 43.11	$ 45 26
Compounded Annual Growth Rate in Avg Bill		8 60%	13 68%	18 43%	14 05%	13 22%	12 51%	12 00%	11.62%	11.33%	11 09%	10 61%	10 31%	0 89%
Projected Suburban Water Sales (Ccf)	86,181,000	87,043,000	87,913,000	86,792,000	89,680,600	90,577,060	91,463,000	92,308,000	93,322,000	94,255,000	95,108,000	96,150,000	97,112,000	98,083,000
Annual Percentage Increase			-1 91%	0 60%	8 63%	0 27%	1 48%	1.48%	1.45%	1.45%	1.45%	1 44%	1 44%	1 44%
Cumulative Percentage Increase			-1 95%	-1.95%	3 71%	3 00%	5 54%	7.11%	8 70%	10 31%	11 94%	13 59%	18 26%	16 94%
Unit Cost Net of Service Charge ($/Ccf)	$ 0 03	$ 0 88	$ 0 86	$ 0 86	$ 0 91	$ 0 91	$ 0 93	$ 0 94	$ 0 95	$ 0 97	$ 0 98	$ 1.00	$ 1 01	$ 1 03
Compounded Annual Growth Rate in Unit Cost		0 00%	-0 60%	-0 64%	0 89%	0 77%	0 88%	0 96%	1 03%	1 07%	1 11%	1.14%	1 16%	1 10%

SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
Case 3 - FY 2003 Phase C Budget, Additional R&R, CIP Funded w/Additional Bonds & Rate Increases

Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Beginning Fund Balance—July 1	84,826,363	56,920,626	82,434,593	81,971,810	56,773,567	56,789,847	69,942,840	70,567,741
Revenue								
Retail Water Sales—existing rates	82,132,730	82,543,394	82,956,111	83,370,691	83,767,746	84,206,684	84,627,718	65,050,650
Retail Water Sales—rate increases	166,006,585	185,023,088	195,996,204	100,978,195	209,233,119	210,279,284	223,169,017	224,284,862
Wholesale Water Sales Revenue	105,700,829	108,224,827	110,601,062	113,438,899	116,133,738	118,893,010	121,716,163	124,604,759
Interest Income on Fund Balances	6,315,216	8,617,994	8,772,748	8,692,825	6,700,941	6,007,184	7,344,503	7,766,789
Other Miscellaneous Income	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,560,000	11,500,000	11,500,000
Total Revenue	351,007,300	403,008,303	406,028,128	411,978,810	427,448,543	431,786,133	448,387,420	453,207,236
Operation and Maintenance Expenses								
Labor and Fringe Benefits	60,950,512	62,776,438	64,662,622	66,002,707	68,000,788	70,656,612	72,776,676	74,001,933
COWCAP	2,126,833	2,100,638	2,200,357	2,324,048	2,393,770	2,465,863	2,539,650	2,615,737
Non Personal Services	5,372,571	9,653,748	8,943,361	10,241,662	10,548,912	10,865,379	11,191,340	11,627,061
Materials and Supplies	11,743,807	12,095,812	12,458,686	12,832,447	13,217,420	13,613,943	14,022,361	14,443,032
Equipment	3,565,287	3,695,816	3,806,792	3,920,900	4,038,620	4,189,765	4,284,578	4,413,116
Light, Heat, and Power	9,614,001	5,902,421	10,199,494	10,005,478	10,620,843	11,145,262	11,479,820	11,824,009
Services of SFPUC Bureaus	48,884,497	51,361,032	52,922,463	84,510,137	86,145,441	87,629,604	69,564,896	61,381,639
Services of Other Departments	11,078,820	11,405,815	11,751,000	12,103,612	12,466,721	12,840,722	13,225,944	13,622,722
Hetch Hetchy Assessment	27,956,476	28,795,171	25,659,026	30,548,700	31,465,250	32,409,216	33,361,495	34,362,940
Incremental O&M--CIP	14,178,693	14,004,054	15,042,175	15,493,441	15,958,244	16,436,991	15,930,101	17,436,004
Budget Close Outs	(1,583,571)	(1,631,078)	(1,600,011)	(1,730,411)	(1,782,323)	(1,835,793)	(1,800,867)	(1,947,593)
Total Operation and Maintenance Expense	196,908,706	204,575,007	211,022,246	217,352,913	223,873,601	230,869,706	237,507,397	244,632,619
Net Revenue	192,758,854	199,033,336	197,005,879	194,625,897	203,872,042	201,196,427	210,650,023	206,574,617
Debt Service								
Debt Service—Existing Bonds	22,667,533	18,353,917	18,476,167	19,411,007	19,368,633	18,938,633	14,233,083	14,289,780
Debt Service—Authorized Bonds	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084
Debt Service—Proposed Bonds	113,016,343	114,632,596	118,134,418	115,292,388	116,292,358	118,292,358	116,292,358	118,202,358
Capitalized Interest Fund Cash Flow--Proposed Bo	(5,068,563)	(2,132,001)	(510,402)	-	-	-	-	-
Reserve Fund Cash Flow--Proposed Bonds	(6,302,161)	(6,341,000)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)
Net Debt Service	135,500,195	136,787,456	139,045,184	139,847,026	138,604,195	136,172,195	134,468,446	134,495,112
Net Revenue After Debt Service	87,182,458	62,235,680	57,000,695	84,978,868	63,967,647	65,024,232	76,361,576	74,079,505
Revenue Funded Capital Projects								
Repair & Replacement Projects	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Additional Repair & Replacement Projects	35,070,014	36,722,115	38,423,778	40,176,491	41,981,786	43,841,240	45,756,477	47,729,171
Total Revenue Funded Capital Projects	65,070,014	56,722,115	66,423,778	60,176,491	61,981,786	63,841,240	65,756,477	67,729,171
Ending Fund Balance—June 30	56,920,828	62,434,593	61,871,510	56,773,587	66,759,847	59,942,840	70,567,741	76,916,076
Financial Performance Measurements								
Debt Service Coverage--Revenue Bonds--Indenture	1.828	1.671	1.666	1.637	1.665	1.008	2.014	2.075
Debt Service Coverage--Revenue Bonds--Current I	1.422	1.456	1.417	1.394	1.458	1.476	1.866	1.551
O&M Reserve—Beginning Fund Balance/O&M Budg	0.207	0.299	0.318	0.307	0.273	0.274	6.272	0.311

Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Beginning Fund Balance—July 1	76,916,075	76,899,162	86,116,095	92,748,315	106,736,261	118,814,451	118,915,834	116,143,704	106,772,149
Revenue									
Retail Water Sales—existing rates	65,476,111	65,003,491	66,333,009	66,784,674	67,196,497	67,634,400	68,072,662	66,513,025	66,985,590
Retail Water Sales—rate increases	225,406,266	239,030,700	240,225,944	241,427,074	242,634,209	243,847,360	245,066,617	246,201,950	247,523,410
Wholesale Water Sales Revenue	127,560,274	130,584,304	133,676,400	136,844,393	140,063,793	143,398,392	146,769,001	150,260,316	153,811,314
Interest Income on Fund Balances	7,993,025	6,427,313	5,700,662	9,253,114	9,609,977	10,132,696	10,199,784	9,969,067	9,476,620
Other Miscellaneous Income	11,500,000	11,000,000	11,500,000	11,500,000	11,500,000	11,560,000	11,600,000	11,560,000	11,560,000
Total Revenue	457,938,600	478,446,696	480,527,994	485,789,254	491,226,478	496,812,856	001,629,034	506,854,376	811,286,934
Operation and Maintenance Expenses									
Labor and Fringe Benefits	77,210,791	79,627,116	81,912,929	84,370,316	86,001,426	89,506,469	92,193,723	94,959,634	97,608,320
COWCAP	2,694,209	2,776,036	2,856,266	2,944,035	3,032,356	3,123,326	3,217,026	3,313,537	3,412,943
Non Personal Services	11,672,693	12,229,080	12,598,952	12,973,631	13,363,046	13,763,937	14,176,855	14,602,161	15,040,226
Materials and Supplies	14,876,323	16,322,613	15,782,291	16,255,760	16,743,432	17,245,735	17,763,107	18,200,001	18,844,881
Equipment	4,845,009	4,661,674	4,622,330	4,007,000	6,116,010	6,269,491	6,427,575	6,590,403	5,756,115
Light, Heat, and Power	12,176,729	12,544,091	12,920,414	13,306,020	13,707,267	14,116,465	14,542,039	14,976,301	15,427,650
Services of SFPUC Bureaus	63,192,168	65,087,954	67,040,592	69,051,610	71,123,366	73,237,065	78,454,777	77,716,421	80,049,973
Services of Other Departments	14,031,404	14,452,346	14,886,916	16,332,494	15,792,469	16,266,243	16,764,230	17,256,657	17,774,563
Hetch Hetchy Assessment	35,414,426	36,476,861	37,671,166	38,696,301	39,659,250	41,055,026	42,286,679	43,555,279	44,861,938
Incremental O&M--CIP	17,961,144	16,499,976	19,054,976	19,626,627	20,215,426	20,621,669	21,446,845	22,089,942	22,752,640
Budget Close Outs	(2,006,020)	(2,086,201)	(2,126,167)	(2,192,033)	(2,257,794)	(2,325,528)	(2,395,203)	(2,467,152)	(2,541,167)
Total Operation and Maintenance Expense	251,971,397	259,530,745	267,316,666	276,336,166	283,896,253	292,101,140	300,867,265	309,893,282	319,190,081
Net Revenue	205,964,099	215,916,163	213,211,326	210,453,087	207,630,224	204,406,716	200,761,769	100,061,098	192,076,854
Debt Service									
Debt Service—Existing Bonds	14,286,563	14,309,000	14,334,280	-	-	-	-	-	-
Debt Service—Authorized Bonds	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084	11,284,084
Debt Service—Proposed Bonds	118,292,356	118,292,356	118,292,358	115,292,356	118,292,358	115,292,388	118,292,358	118,292,358	115,292,358
Capitalized Interest Fund Cash Flow--Proposed Bo	-	-	-	-	-	-	-	-	-
Reserve Fund Cash Flow--Proposed Bonds	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)
Net Debt Service	134,621,948	134,644,362	134,609,612	120,235,362	120,235,362	120,235,362	120,235,362	120,235,362	120,236,362
Net Revenue After Debt Service	71,442,153	61,370,781	76,641,716	00,217,728	87,394,862	84,173,356	60,626,407	76,425,734	71,641,492
Revenue Funded Capital Projects									
Repair & Replacement Projects	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Additional Repair & Replacement Projects	49,761,046	51,853,876	54,009,494	50,229,779	56,516,672	60,872,173	63,296,338	65,797,266	66,371,206
Total Revenue Funded Capital Projects	69,761,046	71,853,876	74,009,494	76,229,779	76,516,672	80,872,173	83,296,338	85,797,266	86,371,206
Ending Fund Balance—June 30	76,599,162	86,116,095	92,748,316	106,736,261	118,614,451	118,918,634	118,143,704	106,772,149	00,242,439
Financial Performance Measurements									
Debt Service Coverage--Revenue Bonds--Indenture	2.103	2.168	2.239	2.522	2.615	2.662	2.659	2.602	2.486
Debt Service Coverage--Revenue Bonds--Current I	1.531	1.605	1.584	1.750	1.727	1.700	1.670	1.636	1.598
O&M Reserve—Beginning Fund Balance/O&M Budg	0.320	0.326	0.355	0.363	0.405	0.426	0.428	0.404	0.360

REVENUE ASSUMPTIONS	2016	2017	2018	2019	2020	2021	2022	2023
Annual Rate Adjustments from Solutions Sheet								
Convert to Annual % Increase (Directly Used)	4.00%	3.00%	0.00%	0.00%	4.00%	0.00%	4.00%	9.00%
Calculate Cumulative % Increase (Directly Used)	228.47%	238.27%	238.27%	238.27%	248.72%	249.72%	263.71%	263.71%
Average Monthly Retail Water Bill	$47.07	$48.45	$48.48	$48.48	$50.43	$50.43	$52.44	$52.44
Compounded Annual Growth Rate in Avg. Bill	9.48%	8.02%	8.43%	7.92%	7.70%	7.26%	7.11%	6.76%
Projected Suburban Water Sales (Ccf)	99,004,000	100,055,000	101,058,000	102,067,000	103,088,000	104,116,000	105,160,000	106,212,000
Annual Percentage Increase	1.43%	1.43%	1.43%	1.42%	1.42%	1.42%	1.41%	1.41%
Cumulative Percentage Increase	18.85%	20.38%	22.13%	23.90%	25.68%	27.56%	29.34%	31.20%
Unit Cost Net of Service Charge ($/Ccf)	$1.04	$1.06	$1.07	$1.09	$1.10	$1.12	$1.13	$1.15
Compounded Annual Growth Rate in Unit Cost	1.20%	1.22%	1.23%	1.24%	1.25%	1.26%	1.27%	1.28%

REVENUE ASSUMPTIONS	2024	2025	2026	2027	2028	2029	2030	2031	2032
Annual Rate Adjustments from Solutions Sheet									
Convert to Annual % Increase (Directly Used)	0.00%	4.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Calculate Cumulative % Increase (Directly Used)	263.71%	278.28%	278.28%	278.28%	278.28%	278.28%	278.20%	278.28%	278.28%
Average Monthly Retail Water Bill	$52.44	$54.54	$54.54	$54.54	$54.54	$54.54	$54.54	$54.54	$54.54
Compounded Annual Growth Rate in Avg. Bill	6.44%	6.34%	6.06%	5.81%	5.56%	5.37%	5.18%	4.99%	4.82%
Projected Suburban Water Sales (Ccf)	107,274,000	108,347,000	109,430,000	110,524,000	111,620,000	112,745,000	113,672,000	115,011,000	116,156,000
Annual Percentage Increase	1.41%	1.41%	1.40%	1.40%	1.40%	1.40%	1.40%	1.39%	1.40%
Cumulative Percentage Increase	33.08%	34.99%	36.91%	38.87%	40.84%	42.84%	44.87%	46.92%	49.01%
Unit Cost Net of Service Charge ($/Ccf)	$1.16	$1.18	$1.20	$1.21	$1.23	$1.25	$1.27	$1.28	$1.30
Compounded Annual Growth Rate in Unit Cost	1.28%	1.29%	1.29%	1.30%	1.30%	1.30%	1.31%	1.31%	1.31%

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 3, 2002

TO: Board of Supervisors' Budget Analyst

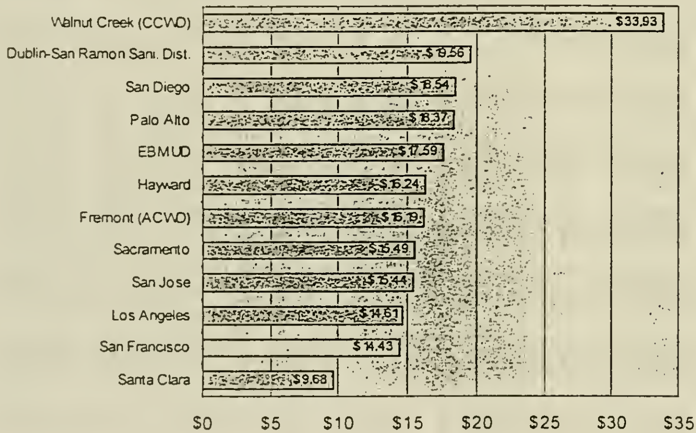
cc: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: Water Bond Measure (File 02-0910)

The following table compares the current monthly water bills of San Francisco to other California water utilities.

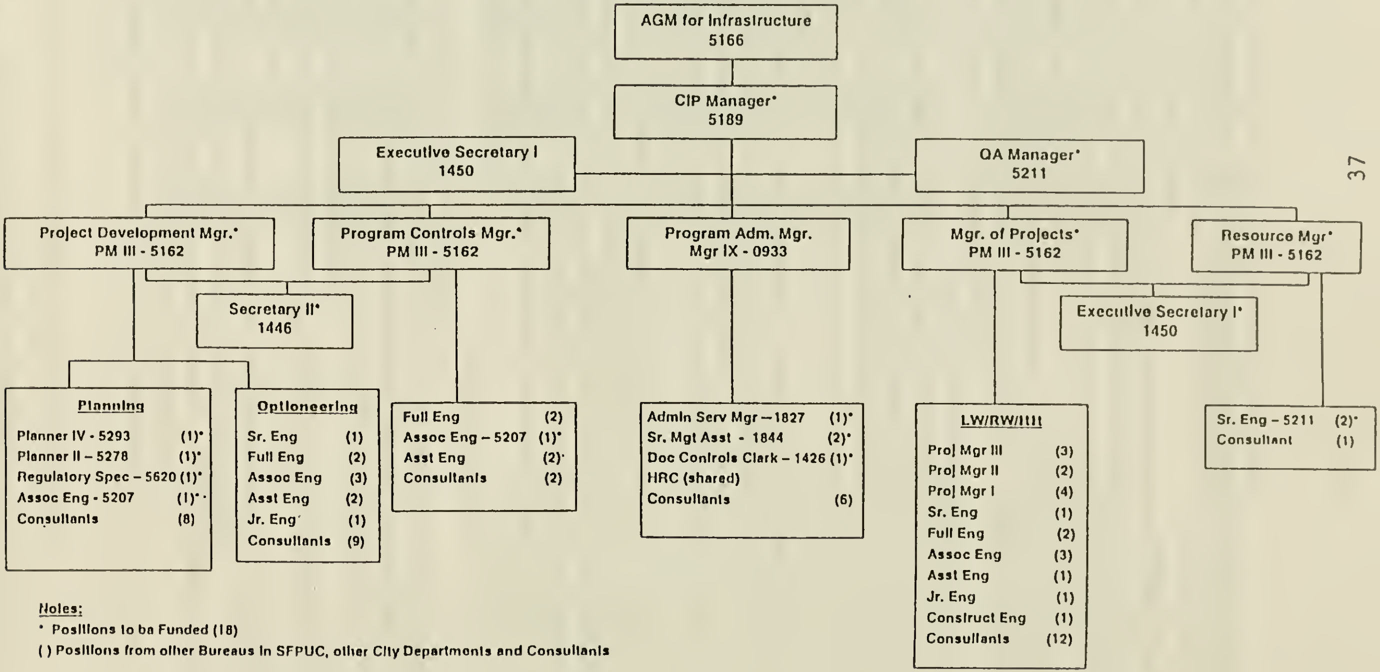
Comparison of Monthly Water Bills*



*Comparisons among utility rates are difficult, as some systems are subsidized by other tax receipts.

If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

PROPOSED CIP STAFFING PLAN
July 1, 2002 – June 30, 2003



Notes:
* Positions to be Funded (18)
( ) Positions from other Bureaus in SFPUC, other City Departments and Consultants

FISCAL YEAR 2002/2003 CIP PROGRAM OBJECTIVES

The CIP will achieve the following objectives in Fiscal Year 02/03:

Program Planning:

- Complete Phase I of the Facilities Implementation Plan – model various alternative designs to determine constructability and related costs
- Initiate CIP Environmental Review Process – begin programmatic and project level EIR documentation to facilitate timely project implementation
- Establish Prioritization Procedures – implement annually to reflect current needs and changes in scope
- Identify and Prioritize Critical CIP Projects – facilitate the most critical projects moving ahead on a critical timeline
- Develop Project Specific Request for Proposals (RFPs) for years 1 & 2 – procure specialty planning, design and construction management professional services
- Establish CIP Performance Measurements – measure program performance based upon budget, schedule, and operability

Develop Internal Procedures:

- Create an Enterprise Work Breakdown Structure (WBS) – Program Manager will control project scope, schedule, and budget through Project Controls using a WBS to capture and report project information, and provide current information to stakeholders
- Develop Procedures for Updating the Annual CIP Budget – develop process to provide current budget and schedule information to the SFPUC, the Board of Supervisors and the Stakeholders
- Develop Change Order Control/Approval Process – manage contracts and track budget more effectively on a real time basis
- Develop Construction Management Procedures – standardize documentation and control practices for project managers to more effectively manage projects during construction
- Review Skills Inventory and Develop Staff Training Plan – based upon the assessment of skills and CIP requirements, utilize staff from SFPUC, DPW, and other City Departments in the fields of engineering, project controls, project management and construction management, and provide training as appropriate

Develop and Implement Information Systems:

- Select Project Control System – track scope of work, budget expenditures, schedules and resource needs to provide a comprehensive, accurate, and timely program report to accommodate an enlarged database
- Procure Project Control System – acquire software license agreement and training
- Develop Project Control System Implementation Plan – develop a phased installation plan, to be implemented by the CIP staff, beginning with a pilot project to test and refine the Project Control System
- Procure Electronic Timecard System – this new system will replace the daily, manual timecards of engineering staff, by tracking project phases and engineering disciplines, to ensure more detailed, and timely reporting of labor costs

San Francisco Public Utilities Commission - Capital Improvement Program
Local Water Projects

($000's)

Project Title	Start Project	Construction Start	In Service Date	SFPUC Proposal Cost 2003 $
Non-R&R Projects				
Lincoln Way Transmission Line	2003	2005	2007	$11,175
Groundwater Projects	2003	2005	2007	13,706
Recycled Water	2003	2007	2010	102,735
Cross Town Transmission Main	2005	2007	2009	17,415
Sunset Circulation Improvements	2005	2007	2009	6,771
Fire Protection at CDD	2006	2008	2008	1,713
Key Motorized and Other Critical Valves	2006	2008	2009	11,945
Noe Valley Transmission Main Ph2	2006	2009	2010	8,736
SEWPCP - Water reclamation	2008	2010	2011	7,194
New Northwest Reservoir	2008	2010	2011	29,594
Lake Merced Pump Station Essential Upgrade	2009	2012	2014	59,144
Total Non-R&R Projects				$270,128
R&R Projects with Construction Starting Before 10/2006				
Pump Station Upgrades (Summit)	2003	2005	2006	$4,914
Pump Station Upgrades (Crocker Amazon)	2003	2005	2006	2,829
Pump Station Upgrades (Lincoln Park)	2003	2005	2007	1,942
Res Rehab and Seismic Upgrade Summit	2003	2005	2007	16,190
Tank Rehab and Seismic Upgrade Lincoln Park	2003	2005	2007	1,698
Tank Rehab and Seismic Upgrade Le-Grande	2003	2004	2005	2,071
Total R&R Projects with Construction Starting Before 10/2006				$29,644
R&R Projects w/ Construction Starting After 10/2006				
Pump Station Upgrades (Palo Alto)	2004	2007	2008	$1,857
Pump Station Upgrades (Sky View - Aqua Vista))	2004	2007	2008	1,373
Pump Station Upgrades (Forest Knolls)	2004	2007	2008	2,466
Res Rehab and Seismls Upgrade Potrero H	2004	2006	2007	9,584
Tank Rehab and Seismic Upgrade Portero Heights	2004	2006	2007	2,049
Pump Station Upgrades (Mount Davidson)	2005	2008	2009	1,618
Tank Rehab and Seismic Upgrade Forest Knolls	2005	2006	2008	1,810
Vehicle Service & Facility Upgrade	2006	2008	2009	4,177
North University Mound System Upgrade	2006	2008	2010	18,351
Pump Station Upgrades (McLaren Park)	2006	2009	2010	5,038
Pump Station Upgrades (Potrero Heights)	2006	2008	2009	1,764
Pump Station Upgrades (Forest Hill)	2006	2008	2009	1,529
Tank Rehab and Seismic Upgrade Mount Davidson	2006	2008	2009	1,705
Tank Rehab and Seismic Upgrade Forest Hill	2006	2008	2009	2,270
Tank Rehab and Seismic Upgrade Hunters Point	2006	2007	2009	3,459
Res Rehab and Seismic Upgrade Hunters Point	2006	2008	2009	5,832
Reservoir Rehabilitation Stanford Heights	2006	2007	2009	9,519
Total R&R Projects w/ Construction Starting After 10/2006				$74,401
R&R Projects Starting After 10/2006				
Pump Station Upgrades (LeGrande)	2006	2009	2010	$2,332
Pump Station Upgrades (Vista Francisco)	2006	2009	2010	1,611
Tank Rehab and Seismic Upgrade McLaren #1	2006	2009	2010	6,899
Tank Rehab and Seismic Upgrade McLaren #2	2006	2009	2010	6,854
Fulton @ 6th Ave 30" Main Replacement	2007	2009	2011	3,578
Res Rehab and Seismic Upgrade Sutro	2009	2010	2012	22,407
Total R&R Projects Starting After 10/2006				$43,681
Total 2003 $ Project Costs				$417,854
Total Escalated Project Costs				$503,668
Total Bond Size (including contingency and financing costs)				$714,938

San Francisco Public Utilities Commission - Capital Improvement Program
Local Share of Regional Water Projects

($000's)

Project Title	Start Project	Construction Start	In Service Date	SFPUC Proposal Cost 2003 $
Non-R&R Projects				
Alameda Creek Fishery Enhancement	2003	2004	2007	$2,110
Calaveras Dam Replacement	2003	2006	2009	47,025
Crystal Springs Bypass Tunnel	2003	2007	2009	15,513
Irvington Tunnel Alternatives	2003	2006	2009	45,122
Pipeline Repair Plan & Readiness Imp	2003	2003	2004	1,056
Enlarge Sunol Treatment Capacity to 240 mgd	2004	2007	2009	25,699
SJPL No4 New	2004	2009	2011	122,698
Hetch Hetchy Advanced Disinfection - UV	2006	2010	2011	15,877
Bay Division Pipeline - Hydraulic Capacity Upgrade	2006	2010	2013	78,052
BDPL Nos 3 & 4 Cross Connections	2006	2009	2010	3,440
Lawrence Livermore Filtration	2008	2010	2011	565
Standby Power Facilities,Various Locations	2010	2012	2013	1,724
Installation of SCADA System (Phase II)	2010	2013	2014	9,002
San Andreas #3 P/L Installation	2010	2013	2014	7,940
Sunol Quarry Reservoirs	2011	2013	2014	2,790
Water System Automation (Hetch Hetchy)	2012	2014	2015	406
Total Non-R&R Projects				$379,018
R&R Projects with Construction Starting Before 10/2006				
SVWTP - New Treated Water Reservoir	2003	2006	2007	$14,728
San Antonio Pump Station / Emergency Power	2003	2005	2005	1,155
Tesla Portal Disinfection Facility	2004	2006	2008	3,296
HTWTP Short Term Improvements - Phase A	2004	2006	2007	939
Total R&R Projects with Construction Starting Before 10/2006				$20,119
R&R Projects with Construction Starting After 10/2006				
Seismic Upgrade Of BDPL's @Hayward Fault	2006	2009	2010	$13,168
Adit Leak Repairs(Crystal Springs / Calaveras Res)	2006	2007	2007	688
Crystal Springs PS and CS-SA PL Capacity	2006	2009	2011	18,236
Total R&R Projects with Construction Starting After 10/2006				$32,092
R&R Projects Starting After 10/2006				
BDPL #1 & #2 Repair of Caisson & Pipe Bridge	2007	2011	2013	$5,928
U.Mound Rsvr - Seismic Upgrade/Rehab (North Basin)	2007	2010	2011	20,225
HTWTP Short Term Improvements Phase B	2008	2011	2012	3,159
Lower Crystal Springs Dam Improvements	2009	2012	2014	5,295
Sunset Rsvr - Seismic Upgrade/Rehab (North Basin)	2009	2012	2014	14,062
HTWTP Long-Term Improvements	2011	2014	2016	11,722
Cross Connection Controls	2012	2014	2015	1,221
Early Intake Res-Resurface Dam (Hetch Hetcty)	2012	2014	2015	397
Early Intake Res-Spillway +Adj. Weir(Hetch Hetchy)	2012	2014	2015	510
Pulgas Reservoir Rehabilitation	2012	2015	2016	4,946
Capuchino Valve Lot capacity Improvements	2012	2015	2016	521
Mountain Tunnel Lining (Hetch Hetchy)	2012	2014	2015	770
Crystal Springs 2 PL Replacement (In City)	2012	2013	2015	18,496
Foothill Tunnel Repairs (Hetch Hetchy)	2012	2014	2015	957
Total R&R Projects Starting After 10/2006				$88,208
Total 2003 $ Project Costs				$519,437
Total Escalated Project Costs				$643,336
Total Bond Size (including contigency and financing costs)				$913,154

City and County of San Francisco
Meeting Minutes
Finance Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Wednesday, July 24, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

Meeting Convened

The meeting convened at 12:37 p.m.

REGULAR AGENDA

021121 [Business Tax]

Supervisor McGoldrick

Motion submitting the San Francisco Business Tax Reform Ordinance 2002 to the qualified electors of the City and County of San Francisco, at the November 5, 2002 general municipal election.

6/17/02, RECEIVED AND ASSIGNED to Rules and Audits Committee.

6/19/02, TRANSFERRED to Finance Committee. (6/26/02 - Referred to Small Business Commission for comment and recommendation.)

7/17/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Supervisor Jake McGoldrick; Harvey Rose, Budget Analyst; Edward Harrington, Controller; Ken Cleveland, Building Owners and Managers Association; Rosie Blyers; Rebecca Miller, Political Director, Local 790; Amy Harrington, SEIU, Local 250; John Avalos, Coleman Advocates for Children and Youth; Janan New, Director, San Francisco Apartment Association; Michael Sweet; Nathan Nayman, Executive Director, Committee on Jobs; Theodore Lakey, Deputy City Attorney.
Amendment of the Whole, as presented by Supervisor McGoldrick, adopted.
Motion, to be sponsored by Supervisor Daly, prepared in Committee. See File 021292.
Continued to 7/24/02.

7/17/02, CONTINUED.

Heard in Committee. Speakers: Supervisor McGoldrick; Supervisor Peskin; Ed Harrington, Controller; Supervisor Daly, Supervisor Hall; Steven Cornell, President, Small Busienss Commission; Margaret Brodkin, Coleman Advocates for Children; Jim Mathias, S. F. Chamber of Commerce; Julie Van Nostern, Deputy City Attorney; Amy Laitinen, SEIU; John Cope, Hotel Council of S. F.; Todd Robinette, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Scott Hauge, Small Business Advocates; Clifford Waldeck; Howard Wallace, Local 250; Garret Jenkins; Marjie O'Drisscal; Rebecca Vilkomerson, People's Budget; John Crapo, Director, S. F. Center for Economic Development; Jim Fabris, S. F. Association of Realtors; Dorji Roberts, Deputy City Attorney; Rolph Muller; Lane Andersson, Boston Properties; Larry Volentine; Michael Freeman, McCarthy Cook & Company; Patricia Bresslin, Golden Gate Restaurant Association; Ken Cleveland, Building Owners & Managers Association; Chris Boman; Roger Bazeley, Theodore Brown.

TABLED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021097 [Business Tax]

Supervisor McGoldrick

Ordinance amending the Business and Tax Regulations Code to: (1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax on persons engaging in business in San Francisco as a lessor of real estate; (2) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) reduce businesses' taxable payroll expense by the amount of payroll expense attributable to their San Francisco business activities taxed under Article 12-A-1 (Gross Receipts Tax Ordinance), (ii) conform Article 12-A (Payroll Expense Tax Ordinance) with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 6 (Common Administrative Provisions), (iii) repeal the Enterprise Zone Tax Credit set forth in Section 906A, (iv) repeal the $500 surplus business tax revenue credit set forth in Section 906E, and (v) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulations Code, and place them in Article 6 (Common Administrative Provisions); (3) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); (4) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12-A-1 (Gross Receipts Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review; and (5) amend Section 501 of Article 7 to clarify the definition of "Permanent Residents" exempt from the tax on the transient occupancy of hotel rooms.

6/17/02, ASSIGNED UNDER 30 DAY RULE to Rules and Audits Committee, expires on 7/17/2002.

6/19/02, TRANSFERRED to Finance Committee. (6/26/02 - Referred to Small Business Commission for comment and recommendation.)

7/17/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Supervisor Jake McGoldrick; Harvey Rose, Budget Analyst; Edward Harrington, Controller; Ken Cleveland, Building Owners and Managers Association; Rosie Blyers; Rebecca Miller, Political Director, Local 790; Amy Harrington, SEIU, Local 250; John Avalos, Coleman Advocates for Children and Youth; Janan New, Director, San Francisco Apartment Association; Michael Sweet; Nathan Nayman, Executive Director, Committee on Jobs; Theodore Lakey, Deputy City Attorney.
Amendment of the Whole, as presented by Supervisor McGoldrick, adopted.
Ordinance, to be sponsored by Supervisor Daly, prepared in Committee. See File 021294.
Continued to 7/24/02.

7/17/02, CONTINUED.

Heard in Committee. Speakers: Supervisor McGoldrick; Supervisor Peskin; Ed Harrington, Controller; Supervisor Daly, Supervisor Hall; Steven Cornell, President, Small Busienss Commission; Margaret Brodkin, Coleman Advocates for Children; Jim Mathias, S. F. Chamber of Commerce; Julie Van Nostern, Deputy City Attorney; Amy Laitinen, SEIU; John Cope, Hotel Council of S. F.; Todd Robinette, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Scott Hauge, Small Business Advocates; Clifford Waldeck; Howard Wallace, Local 250; Garret Jenkins; Marjie O'Drisscal; Rebecca Vilkomerson, People's Budget; John Crapo, Director, S. F. Center for Economic Development; Jim Fabris, S. F. Association of Realtors; Dorji Roberts, Deputy City Attorney; Rolph Muller; Lane Andersson, Boston Properties; Larry Volentine; Michael Freeman, McCarthy Cook & Company; Patricia Bresslin, Golden Gate Restaurant Association; Ken Cleveland, Building Owners & Managers Association; Chris Boman; Roger Bazeley, Theodore Brown.

TABLED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021292 **[Business Tax]**

Supervisor Daly

Motion submitting the San Francisco Business Tax Reform Ordinance 2002 to the qualified electors of the City and County of San Francisco, at the November 5, 2002 general municipal election.

7/17/02, PREPARED IN COMMITTEE AS A MOTION. Continued to 7/24/02.

7/17/02, CONTINUED.

7/17/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Supervisor McGoldrick; Supervisor Peskin; Ed Harrington, Controller; Supervisor Daly, Supervisor Hall; Steven Cornell, President, Small Busienss Commission; Margaret Brodkin, Coleman Advocates for Children; Jim Mathias, S. F. Chamber of Commerce; Julie Van Nostern, Deputy City Attorney; Amy Laitinen, SEIU; John Cope, Hotel Council of S. F.; Todd Robinette, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Scott Hauge, Small Business Advocates; Clifford Waldeck; Howard Wallace, Local 250; Garret Jenkins; Marjie O'Drisscal; Rebecca Vilkomerson, People's Budget; John Crapo, Director, S. F. Center for Economic Development; Jim Fabris, S. F. Association of Realtors; Dorji Roberts, Deputy City Attorney; Rolph Muller; Lane Andersson, Boston Properties; Larry Volentine; Michael Freeman, McCarthy Cook & Company; Patricia Bresslin, Golden Gate Restaurant Association; Ken Cleveland, Building Owners & Managers Association; Chris Boman; Roger Bazeley, Theodore Brown.

Amendment of the Whole; Supervisor Daly withdrew his sponsorship; Supervisor McGoldrick added as sponsor.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

Continued to July 31, 2002.

CONTINUED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021294 [Business Tax]

Supervisor Daly

Ordinance amending the Business and Tax Regulations Code to: (1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax on persons engaging in business in San Francisco as a lessor of real estate; (2) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) reduce businesses' taxable payroll expense by the amount of payroll expense attributable to their San Francisco business activities taxed under Article 12-A-1 (Gross Receipts Tax Ordinance), (ii) conform Article 12-A (Payroll Expense Tax Ordinance) with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 6 (Common Administrative Provisions), (iii) repeal the $500 surplus business tax revenue credit set forth in Section 906E, and (iv) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulations Code, and place them in Article 6 (Common Administrative Provisions); (3) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); (4) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12-A-1 (Gross Receipts Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review; and (5) amend Section 501 of Article 7 to clarify the definition of "Permanent Residents" exempt from the tax on the transient occupancy of hotel rooms.

7/17/02, RECEIVED AND ASSIGNED to Finance Committee.

7/17/02, PREPARED IN COMMITTEE AS AN ORDINANCE. Continued to 7/24/02.

7/17/02, CONTINUED.

Heard in Committee. Speakers: Supervisor McGoldrick; Supervisor Peskin; Ed Harrington, Controller; Supervisor Daly, Supervisor Hall; Steven Cornell, President, Small Busienss Commission; Margaret Brodkin, Coleman Advocates for Children; Jim Mathias, S. F. Chamber of Commerce; Julie Van Nostern, Deputy City Attorney; Amy Laitinen, SEIU; John Cope, Hotel Council of S. F.; Todd Robinette, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Scott Hauge, Small Business Advocates; Clifford Waldeck; Howard Wallace, Local 250; Garret Jenkins; Marjie O'Drisscal; Rebecca Vilkomerson, People's Budget; John Crapo, Director, S. F. Center for Economic Development; Jim Fabris, S. F. Association of Realtors; Dorji Roberts, Deputy City Attorney; Rolph Muller; Lane Andersson, Boston Properties; Larry Volentine; Michael Freeman, McCarthy Cook & Company; Patricia Bresslin, Golden Gate Restaurant Association; Ken Cleveland, Building Owners & Managers Association; Chris Boman; Roger Bazeley, Theodore Brown.

Amendment of the Whole, Supervisor Daly withdrew his sponsorship; Supervisor McGoldrick added as sponsor.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

Continued to July 31, 2002.

CONTINUED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

011178 **[Motor Vehicle for Hire Permit Filing Fees and License Fees]**

Ordinance amending Sections 2.26.1 and 2.27.1 of the Police Code to amend schedules for motor vehicle for hire permit filing fees and license fees. (Taxi Commission)

8/2/01, RECEIVED AND ASSIGNED to Finance Committee.

5/1/02, CONTINUED. Speakers: None.
Continued to 5/8/02.

5/8/02, RECOMMENDED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Theodore Lakey, Deputy City Attorney; Naomi Little, Executive Director, Taxicab Commission.

5/8/02, REFERRED. Transferred to Budget Committee.

6/25/02, MEETING RECESSED. Heard in Committee. Speakers: Bruce Oka; Jim Kennedy; Mark Newburg; Ann; Manuel; Joseph Fleischman; Howard Green; Paul Gillesppi; Jim Nakamora; Naomi Little, Taxicab Commission; Supervisor Ammiano; Supervisor McGoldrick; Supervisor Yee.
Recessed to meeting of June 27, 2002.

6/27/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Naomi Little, Executive Director, Taxicab Commission; Ruach Graffis; Charles; Jim Nakamora; John Bardis; Supervisor Ammiano.
Amendment of the Whole further increasing fees. To Be transferred to Finance Committee to be heard on July 17, 2002.

6/27/02, CONTINUED TO CALL OF THE CHAIR AS AMENDED.

7/1/02, TRANSFERRED to Finance Committee.

7/17/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Harvey Rose, Budget Analyst: Naomi Little, Executive Director, Taxicab Commission; Mark Gruberg, United Taxicab Workers; Ruach Graffis, United Taxicab Workers; Richard Ow; Joseph Fleischman, Communications Director, PDA; Walter Derby; Male Speaker; James Kennedy; Charles Rathbone; Henry Kim, Executive Director, San Francisco Taxi Association; Rob Walter; Jim Nakamura; Theodore Lakey, Deputy City Attorney; Ben Rosenfield, Mayor's Budget Office.
Continued to 7/24/02.

7/17/02, CONTINUED.

Heard in Committee. Speakers: Rusach Graffis, United Taxicab Workers; Supervisor Daly; Ted Lakey, Deputy City Attorney.
Continued to July 31, 2002.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020536 **[Reserved Funds, Human Services Department]**

Hearing to request release of reserved funds, Department of Human Services (File 020192: Ordinance 59-02), in the amount of $23,500 for the Homeless Prenatal Program. (Human Services Department)

7/15/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Rebecca Vilkomerson; Martha Ryan, Executive Director, Homeless Prenatal Program; Lisa Smith.
Request for release of $23,500, approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021199 **[Contracting out Paratransit Services]**

Resolution concurring with the controller's certification that paratransit services for the Municipal Transportation Agency can be practically performed by a private contractor at a lower cost than by city and county employees. (Municipal Transportation Agency)

7/10/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Peskin.
Amended on page 1, lines 3 and 18, insert "rectroctively" to reflect the contract beginning FY 2002-2003.

AMENDED.

Resolution concurring retroactively, with the controller's certification that paratransit services for the Municipal Transportation Agency can be practically performed by a private contractor at a lower cost than by city and county employees. (Municipal Transportation Agency)

RECOMMENDED AS AMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021137 **[Contracting out of Facility Security Services]**

Resolution concurring with the Controller's certification that facility security services for Municipal Transportation Agency can be practically performed by a private contractor at a lower cost than by City and County employees. (Municipal Transportation Agency)

(Public Benefit Recipient)

7/11/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021188 **[Contracting out Shuttle Bus Service]**

Resolution approving the Controller's certification that shuttle bus services for San Francisco International Airport's Long-Term Parking Lot, the employee garage and surface Lot DD can practically be performed by private contractor at a lower cost than if work were performed by City and County employees. (Airport Commission)

7/10/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst.

Amended on page 1, line 3, insert "retroactively".

AMENDED.

Resolution approving retroactively, the Controller's certification that shuttle bus services for San Francisco International Airport's Long-Term Parking Lot, the employee garage and surface Lot DD can practically be performed by private contractor at a lower cost than if work were performed by City and County employees. (Airport Commission)

RECOMMENDED AS AMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned 3:51 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 18, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: July 24, 2002 Finance Committee Meeting

Item 5 File 01-1178

Note: The proposed fee schedule was amended by the Finance Committee and the item was continued at the Committee's meeting of July 17, 2002.

Department: Taxicab Commission

Item: Ordinance amending Sections 2.26.1 and 2.27.1 of the Police Code to amend the schedules for Motor Vehicles for Hire of the one-time permit application filing fees, other related fees and annual license fees and transferring responsibility for the administration the Motor Vehicles for Hire Program from the Police Department's Taxicab Detail to the Taxicab Commission.

Description: In November of 1998, San Francisco voters approved a Charter Amendment that created the Taxicab Commission (Proposition D) to administer the Motor Vehicles for Hire permits, fees and licensing program. Police Code Section 1076 (a) defines Motor Vehicles for Hire as every type, kind and class of privately owned motor-propelled passenger-carrying vehicles for hire over which the City may exercise jurisdiction, excluding vehicles licensed in other jurisdictions, limousines,

funeral limousines, buses, private ambulances or rail vehicles.

The proposed ordinance would (a) transfer responsibility for the administration the Motor Vehicles for Hire Program from the Police Department's Taxicab Detail to the Taxicab Commission in accordance with Charter Section 4.133; and (b) amend Sections 2.26.1 and 2.27.1 of the Police Code to modify the amount of the fees charged under the Motor Vehicles for Hire Program. The permit application filing fees are currently collected on a one-time basis only while other related fees are collected when applicable, for example each time a Medallion is lost, by the Police Department. The annual license fees are collected by the Treasurer/Tax Collector's Office.

In accordance with Police Code Section 1087, all revenues generated from Motor Vehicles for Hire fees are deposited in the Taxicab Enforcement Fund and such funds can only be used for the capital and operating costs related to the Motor Vehicles for Hire permit and license program. Capital costs include vehicles used for auditing and enforcement purposes and operating costs include personnel expenses, materials and supplies and related costs. All expenditures made from the Taxicab Enforcement Fund are subject to appropriation approval by the Board of Supervisors.

As stated above, during the Budget Committee's consideration of the Taxicab Commission's proposed FY 2002-2003 budget, an amended version of the proposed fee ordinance was submitted to the Budget Committee. The amended ordinance changed the proposed fees and, overall, reduced projected FY 2002-2003 fee revenue by \$117,300, from \$1,445,250 to \$1,327,950. Also at that time, the Taxicab Commission's proposed FY 2002-2003 expenditure budget of \$1,445,250 was reduced by the Budget Committee by \$117,300 to \$1,327,950 to conform to the amended schedule of fees and reduced revenue estimate. Attachment I, provided by the Taxicab Commission, shows the current fees, previously proposed fees and currently proposed fees for 12 permit application filing fees and other related fees and eight annual license

fees for Motor Vehicles for Hire. These fees were last revised in April of 1999 (File 98-1443).

Attachment II, also provided by the Taxicab Commission, details the specific expenditure reductions to the Taxicab Commission's proposed FY 2002-2003 budget to reduce proposed expenditures by the $117,300 amount of the reduced revenues that would result from the amended version of the proposed ordinance. The Budget Committee approved the reductions to the Taxicab Commission's budget and recommended the reduced Taxicab Commission budget to the Board of Supervisors.

Recommendations: Approve the proposed ordinance.

Amended Proposed Taxi Fee Increase and Revenue Projections
2002-2003

6/27/02

			Original Proposed Fee 2002-2003			New Proposed Fee 2002-2003			
	Permit Type	Current Fee 2002	Original Proposed Fee 2002-2003	Original Proposed Fee vs. Current Fee	% Increase Original Proposed Fee vs. Current Fee	New Proposed Fee 2002-2003	Original Proposed Fee vs. New Proposed Fee	New Proposed Fee vs. Current Fee	% Increase New Proposed vs. Current Fee
Drivers	Driver Applications	$65	$65	$0	0%	$65	$0	$0	0%
	Driver Renewals	$40	$40	$0	0%	$45	$5	$5	13%
Permit Holders/Cab Companies	Permit Holder Applications	$450	$550	$100	22%	$550	$0	$100	22%
	Permit Holder Renewals	$330	$625	$295	89%	$475	($150)	$145	44%
	Ramped Taxicab Applications	$325	$100	($225)	-69%	$100	$0	($225)	-69%
	Ramped Taxicab Renewals	$175	$100	($75)	-43%	$100	$0	($75)	-43%
All Applicants	PCN Applications	$200	$225	$25	13%	$300	$75	$100	50%
Permit Holders/Cab	Color Scheme Change	$125	$150	$25	20%	$250	$100	$125	100%
	Lost Medallions	$150	$150	$0	0%	$150	$0	$0	0%
	Metal Medallions	$25	$25	$0	0%	$30	$5	$5	20%
Cab Companies	New Color Scheme Application								
	1 to 5 Medallions	$500	$500	$0	0%	$750	$250	$250	50%
	6 to 15 Medallions	$1,000	$1,000	$0	0%	$1,500	$500	$500	50%
	16 to 49 Medallions	$2,000	$2,000	$0	0%	$3,000	$1,000	$1,000	50%
	50 or more Medallions	$2,500	$2,500	$0	0%	$3,750	$1,250	$1,250	50%
	Color Scheme Renewals								
	1 to 5 Medallions	$500	$500	$0	0%	$500	$0	$0	0%
	6 to 15 Medallions	$1,000	$1,000	$0	0%	$1,000	$0	$0	0%
	16 to 49 Medallions	$2,000	$2,000	$0	0%	$2,000	$0	$0	0%
	50 or more Medallions	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
Dispatch	Dispatch Service Application	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
	Dispatch Service Renewals	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
	Total Revenue	$1,040,175	$1,445,250	$405,075		$1,329,250	($116,000)	$289,075	

Reductions to Taxicab Commission Budget
Per New Proposed Fee Increase 6/27/02

- Per further discussions regarding the Taxicab Commission Fee Increases, I am submitting an amended fee schedule with the following amendments to the Taxicab Commission budget.

Reductions in the total of $117,300 Include:

- .75 FTE of class 1840, Junior Management Analyst in the amount of $41,085
- .5 FTE of class 1842, Management Analyst in the amount of $31,106
- $17, 776 in corresponding fringes
- $1,333 in Professional and Contract Services
- $26,000 in equipment for 1 car

Salaries		
Class	FTE	Reductions
1840	-0.75	$ (41,085)
1842	-0.5	$ (31,106)
Subtotal		$ (72,191)
Fringe		$ (17,776)
Total Salary & Fringe		$ (89,967)
Non-Salary		
Professional and Contract		$ (1,333)
Capital/ Equiptment		$ (26,000)
Total Non-Salary		$ (27,333)
Total Reductions/Savings		$ (117,300)

Item 6 - File 02-0536

Department: Human Services

Item: Hearing to consider the release of reserved funds in the amount of $23,500 for the Homeless Prenatal Program.

Amount: $23,500

Source of Funds: Fiscal Year 2001-2002 General Fund Reserve

Description: On April 22, 2002, the Board of Supervisors approved an ordinance appropriating $47,000 from the General Fund Reserve to the Department of Human Services (DHS), placing on reserve $23,500, to expand an existing contract with the Homeless Prenatal Program, a non-profit organization that provides street-based outreach services to homeless families, including pregnant and post-partum women (File 02-0192). According to Ms. Cindy Ward of DHS, such outreach services include assistance in finding and securing permanent housing, as well as continuing case management to help clients maintain housing. Specifically, the supplemental appropriation from April of 2002 allocated an additional $47,000 to the Homeless Prenatal Program agency to provide eligible homeless families with rental assistance grants to help pay for move-in costs such as security deposits. Ms. Ward advises that participants receive, on average, $800 to $1,200 per family. The Homeless Prenatal Program selects participants who are "housing ready," or demonstrate an ability to pay rent and maintain the housing.

$23,500, or 50 percent of the $47,000 supplemental appropriation, was previously placed on reserve by the Finance Committee pending (a) the Homeless Prenatal Program making a change to their security deposit policy to require that security deposits paid for by the Homeless Prenatal Program to a landlord on behalf of an eligible homeless family be returned to the Program by the landlord when the family moves out of a rented housing unit, and (b) the establishment by the Homeless Prenatal Program of a Revolving Fund consisting of the returned security deposit monies. According to Ms. Ward, the Homeless Prenatal Program has changed its security

deposit policy to require that the landlords return the security deposits to the Homeless Prenatal Program when the families move out of the rented units. In the past, the families were allowed to keep the security deposits returned by the landlords when the families moved out of the rented units. However, although the Finance Committee requested this change in the security deposit policy and the establishment of the related Revolving Fund at its meeting of April 10, 2002, Ms. Ward reports that the Homeless Prenatal Program is still in the process of developing a Revolving Fund. According to Ms. Ward, no security deposits have been returned to the Homeless Prenatal Program since the Program changed its security deposit policy in June of 2002 because no families have moved out of housing since the change in policy. Ms. Ward reports that the DHS is unable to estimate the amount of the security deposit monies which would be available to establish a Revolving Fund. According to Ms. Ward, the Homeless Prenatal Program has no record of the security deposits returned by landlords to families in the past.

Comments:

1. Attachment I is a memorandum from Ms. Ward explaining the changes in the Homeless Prenatal Program's security deposit procedures. According to Ms. Ward, the Homeless Prenatal Program has developed a "Deposit Return Agreement" to be signed by a Homeless Prenatal Program representative and the landlord to ensure that the security deposit provided by the Program is returned to the Program. Attachment II is a copy of this Agreement.

2. In Attachment I, Ms. Ward states "We do not anticipate a reduction in HPP's contract amount as a result of this policy change. HPP has always had more clients than they could serve within current funding levels. Therefore, this policy change will allow HPP to serve more clients with the same funds."

Recommendation: Approval of the requested release of reserved funds is a policy matter for the Board of Supervisors.

City and County of San Francisco

Department of Human Services

Trent Rhorer
Executive Director

Deputy Director
Janice Anderson-Sant
Jim Buick
Sally Kipper

July 15, 2002

Anna La Forte
Budget Analyst's Office
San Francisco Board of Supervisors
1390 Market Street, Suite 1025
San Francisco, CA. 94102

Please allow this letter to explain the policy change that has been made at the Homeless Prenatal Program. These changes were at the request of Supervisor Peskin, and attached to the supplemental funds received by the HPP program as approved by the Finance Committee on April 10, 2002 for assisting homeless families who have found permanent housing but need assistance with their housing deposit.

At the direction of the Finance Committee, $23,500 was put on reserve pending the Homeless Prenatal Program (HPP) making a change in their policy regarding the return of deposits. The check for security deposits has alway been issued to the landlord by HPP. However, families have been allowed to keep the portion of the deposit returned by the landlord if they moved. The Homeless Prenatal Program now requires that landlords return the deposit to HPP. With this policy change, returned deposits can be used again to assist another family in obtaining housing. HPP has developed and implemented a "Deposit Return Agreement" to be signed by an agency representative and the landlord, ensuring that the deposit will be returned to HPP at termination of occupancy. HPP has found landlords to be supportive of this policy change and fully cooperative in the process.

We do not anticipate a reduction in HPP's contract amount as a result of this policy change. HPP has always had more clients than they could serve within current funding levels. Therefore, this policy change will allow HPP to serve more clients with the same funds. The number of additional families which can be served under this new policy will depend on the amount of deposits actually returned to HPP after deducting for any rent owed, damage or other legitimate landlord expenses.

Please call me at 558-2847 if you have any further questions.

Sincerely,

Cindy Ward
Homeless Family Programs Manager
SF DHS

(415) 557-5000 P.O. Box 7988 San Francisco, California 9412

HOMELESS PRENATAL PROGRAM

995 Market St. #1010
San Francisco, CA 94103
(415) 546-6756
fax: (415) 546-6778
www.homelessprenatal.org

Deposit Return Agreement

Date: ______________________

____

____

____

Dear ______________________
(Property Owner)

We are issuing Deposit Assistance Funds in the amount of ______________ in behalf of __________________________ who is a client of the Homeless Prenatal Program.

Because these funds are being paid by this agency in behalf of the tenant, any of the legally refundable deposit, at the termination of occupancy, is to be returned to the Homeless Prenatal Program.

We thank you for your cooperation in behalf of the agency and the tenant.

Sincerely,

Agency Representative: ____

I consent to the above.

____
Signature of the Landlord

____
Date

____
Landlord Phone #

JUL 15 2002 11:28AM HP LASERJET 3200 P.1

Item 7 – File 01-1199

Department: Municipal Transportation Agency (MUNI)

Item: Resolution concurring with the Controller's certification that paratransit services for the Municipal Transportation Agency can be practically performed by a private contractor at a lower cost than by City and County employees.

Services to be Performed: Paratransit Services

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

Paratransit Services provide door-to-door transportation services for persons with disabilities. This is accomplished through four modes of transportation, including taxis, ramp taxis, lift vans, and group vans, which cover a service area with geographic boundaries of the City and County of San Francisco, small portions of northern San Mateo County (those areas within ¾ mile of Muni and Bay Area Rapid Transit (BART) routes that run from San Francisco to the Daly City BART station) and Treasure Island. Paratransit Services are intended to provide a service area identical to that of Muni.

The Controller has determined that contracting for the paratransit services for FY 2002-03 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$11,134,797	$14,581,113
Fringe Benefits	3,808,388	4,239,707
Capital and Operating Expenses	3,901,846	3,901,846
Total	$18,845,031	$22,722,666
Estimated Total Contract Cost	$18,108,565	$18,113,397
Estimated Savings	$736,466	$4,609,269

Comments:

1. Paratransit Services were first certified, as required by Charter Section 10.104, in 1984 and have been provided by an outside contractor since that time.

2. Ms. Kate Toran of Muni reports that Paratransit Services has been provided by Intelitran, a private contractor, since April of 2000. The Muni selected Intelitran for a five-year contract through a Request for Proposal (RFP) process, previously approved by the Board of Supervisors (File No. 00-0045).

3. The Estimated Total Contract Cost used for the purpose of this analysis is the contractor's estimate of the costs to provide paratransit services for FY 2002-2003.

4. The Controller's supplemental questionnaire with the Department's responses is attached to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Municipal Transportation Agency

CONTRACT SERVICES: Paratransit

CONTRACT PERIOD: 07/01/02 – 06/30/03

(1) Who performed the activity/service prior to contracting out?

The paratransit service has always been contracted out.

(2) How many City employees were laid off as a result of contracting out?

None.

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

20% of one full-time equivalent contract administrator plus 3 hours per month of a 1630 Accountant.

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Twenty-two years. Likely to be an on-going request for contracting out.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

FY 1983-84. Yes, it has been certified every year it has been submitted.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

The contract had a DBE goal of 40%.

(8) Does the proposed contractor provide health insurance for its employees?

Yes, the contract requires health insurance for employees.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Yes, the contractor provides benefits to employees with spouses and domestic partners.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Yes, the contractor meets the provisions of the Minimum Compensation Ordinance.

Department Representative: Annette Williams
Telephone Number: 923-6142

Item 8 – File 02-1137

Department: Public Transportation Commission (PTC)
Municipal Railway (Muni)

Item: Resolution concurring with the Controller's certification that facility security services for the Municipal Transportation Agency can continue to be practically performed by a private contractor at lower cost than by City and County employees.

Services to be Performed: Comprehensive facility security services for Municipal Railway operations.

Description: Charter Section 10.104 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work by City employees.

Facility security services for Municipal Railway (Muni) operations consist of unarmed stationary and mobile guards at Muni facilities, armed guards attending to Muni employees involved in the handling of cash, tickets and passes, and security analysis and development of plans for improving physical security at Muni facilities.

The Controller has determined that contracting for the facility security services for Muni for FY 2002-2003 would result in estimated savings as follows:

	Lowest Salary Step	Highest Salary Step
City-Operated Service Costs		
Salaries	$1,226,376	$1,453,351
Fringe Benefits	351,650	387,330
Total	$1,578,026	$1,840,681
Contractual Services Cost*	(1,436,817)	(1,440,308)
Estimated Savings	$141,209	$400,373

*According to Mr. Joe Matranga of the Controller's Office, the Contractual Services Cost includes (a) the current contractor's cost of $1,416,420 and (b) the salary and fringe benefits of a 0.25 FTE 8221 Chief of Protective Services position for contract monitoring, at the lowest salary step of $20,397, and highest salary step of $23,888. The current contractor's cost of $1,416,420 is comprised of the cost of (a) $829,586.76 based on 31,001 hours @ $26.76 per hour for armed patrol officers, (b) $104,955.76 based on 4,732 hours @ $22.18 per hour for unarmed patrol officers, and (c) $481,877.76 based on 17,472 hours @ $27.58 per hour for unarmed supervisors.

Comments:

1. According to Mr. Walter Gibbons of Muni, facility security services for the Muni were first certified as required by Charter Section 10.104 in FY 1983-84 and have been provided by an outside contractor since 1975.

2. Mr. Gibbons states that the current contract for the Muni facility security services is with King Security Services. The contract with King Security Services expired on June 30, 2001. Mr. Gibbons states that the contract with King Security Services has been on a month-to-month basis since that time. According to Ms. Marybeth Long of Muni Purchasing Division, Muni conducted a competitive bidding process for Muni facility security services in May of 2001. King Security Services submitted the lowest bid which was accepted by Muni. According to Ms. Long, Muni plans to enter into a contract with King Security Services to provide security services upon approval of this resolution. The anticipated contract period for the new Muni Facility Security Services with King Security Services is approximately August 1, 2002 through June 30, 2005. The contract could be renewed for up to two years after the expiration of the original contract period, by mutual agreement between Muni and King Security Services, according to Ms. Long.

3. The estimated Contractual Services Cost used for the purpose of this analysis is the Controller's estimate of the cost to provide facility security services for FY 2002-2003.

4. The Controller's supplemental questionnaire, with the department's responses, is attached to this report.

Recommendation: Approve the proposed resolution.

Attachment

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Public Transportation (MUNI)

CONTRACT SERVICES: Comprehensive Facility Security Services

CONTRACT PERIOD: July 1, 2002 thru June 30, 2003

(1) Who performed the activity/service prior to contracting out?

King Security Services Inc.

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

Approximately 20% of Class 8221 position to monitor contract (.25 FTE)

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Since 1975; Likely to be on-going.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

1983-84 Fiscal Year. Yes.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

They will comply with requirements of FTA DBE Program.

(8) Does the proposed contract require that the contractor provide health insurance for its employees?

Yes. Yes.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Contractor on HRC approved list for equal benefits requirements.

(10) Does the contractor Pay meet the provisions of the Minimum Compensation Ordinance?

Yes

Department Representative: Walter Gibbons

Telephone Number: (415) 554-7150

Item 9 – File 02-1188

Department: Airport Commission

Item: Resolution approving the Controller's certification that shuttle bus services at San Francisco International Airport for (a) the San Francisco International Airport's Long-Term Parking lot, (b) the employee garage, and (c) surface Lot DD can continue to be practically performed by a private contractor at a lower cost than if such work were performed by City and County employees.

Services to be Performed: Shuttle Bus Services at San Francisco International Airport (SFO).

Description: Charter Section 10.104 provides that the City may contract with private firms for services which can be performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for the Airport shuttle bus services for FY 2002-2003 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$2,790,966	$3,810,293
Fringe Benefits	786,784	918,636
Total	$3,577,750	$4,728,929
Estimated Total Contract Cost	3,445,279	3,446,988
Estimated Savings	$132,471	$1,281,941

Comments:

1. Shuttle bus services consist of providing free ground transportation to airline passengers between the terminals and long-term parking lot (Lot D), and to Airline and Airport employees between the terminals and the Airport's employee parking garage and employee parking lot (Lot DD).

2. Shuttle bus services for San Francisco International Airport were first certified as required by Charter Section 10.104 in FY 1974-75 and have been contracted out continuously since then.

3. According to Mr. Daniel Pino of the Airport, the Airport awarded a ten-year contract for the operation of shuttle bus services to SFO Shuttle Bus Company, effective January 1, 1998. The proposed resolution would retroactively approve the Controller's certification for the fifth full fiscal year of the ten-year contract, from July 1, 2002 through June 30, 2003.

4. The Contractual Service Cost used for the purpose of this analysis is based on the SFO Shuttle Bus Company's proposed contract for FY 2002-2003 to provide the shuttle bus service at the Airport, according to Mr. Pino.

5. The Contractual Services Cost of $3,446,988 for FY 2002-2003 is $850,620 or 19.8 percent less than the FY 2001-2002 cost of $4,297,608. Attachment I to this memo is a memorandum from Ms. Alice Sgourakis of the Airport explaining the reasons for the decrease in the contractual services costs.

6. The Controller's supplemental questionnaire with the Department's response is Attachment II to this report.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Attachment I

SFO

San Francisco International Airport

P.O Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

July 18, 2002

Mr. Matthew Stokes
Budget Analyst Office
1390 Market Street, Suite 1025
San Francisco, CA 94102

SUBJECT: SFO Shuttle Bus Contract Fiscal Year 2002/2003

Dear Mr. Stokes:

SFO Shuttle Bus Company Inc. is the current contract operator of the Airport's 24-hour long-term parking and employee shuttle services per Resolution #96-0130 approved by the Airport Commission May 21, 1996. The shuttle serves Airport employees who park in Employee Garage DD and air passengers who park in Long-Term Parking Lot D. The shuttle service provides a key transportation connection to the Airport terminals and major employment sites along McDonnell Road.

As a result of the reevaluation of all Airport's contract budgets in part as a result of recent national events, the Airport's Budget & Finance division requested that we reevaluate service hours to accommodate a streamlined budget amount for Fiscal Year 2002/2003. In cooperation with Airport's Aviation Management and Business & Finance, Landside Operations was able to develop a budget based on a reduction in average daily service hours from 284 hours to an average of 217 daily service hours for Fiscal Year 2002-2003. The reduction of service hours (not drivers) will have little effect on service provided to long-term passengers and employees as most of the reduction was accomplished during non-peak service hours. Passenger service along McDonnell Road will also benefit by the opening of AirTrain service this year.

Staff is confident that we will be able to operate shuttle service with the current budget without negatively affecting passengers on the long-term and employee bus routes.

If you have any further questions, please contact Daniel Pino at (650) 821-6514.

Sincerely,

Alice Sgourakis

Alice Sgourakis
Ground Transportation Manager
Landside Operations

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department:	Airport Commission
Contract Services:	Airport Shuttle Bus Services
Contract Period:	July 1, 2002 to June 30, 2003

1. Who performed the activity/service prior to contracting out?
With construction of the Remote Public Parking Facility in 1975, shuttle bus service was initiated by contract. Prior to 1975, the area was utilized as a small lot for SFIA employee parking. An employee van service was provided by Airport Parking Management (APM).

2. How many City employees were laid off as a result of contracting out?
None (See #1)

3. Explain the disposition of employees if they were not laid off?
N/A (See #1)

4. What percentage of City employees' time is spent on services to be contracted out?
N/A (see #1)

5. How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
Since 1975. The current contract commenced on January 1, 1998 for a 10-year period with up to five additional one-year options.

6. What was the first fiscal year for a Proposition J certification: Has it been certified for each subsequent year?
1974-1975. Yes, it has been certified each year since.

7. How will the services meet the goals of your MBE/WBE Action Plan?
Although this contract was not awarded to a MBE/WBE firm in 1996, it must adhere to the City's non-discrimination ordinance contained in Chapters 12B & 12C of the City's Administrative Code. The Contractor continues to utilize minority and woman owned suppliers (i.e., tire manufacturer and car cleaners).

8. Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?
The contract does not require health insurance. However, the contractor provides health insurance for its employees per a labor agreement.

9. Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?
The contractor provides benefits to spouses and domestic partners.

Department Representative: Jackson Wong for
Duke Briscoe, Deputy Airport Director – Operations

Telephone Number: (650) 821-5010

DPino/WPDOC/02013A9.DP2

10.25
/22/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 18, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: July 22, 2002 Special Finance Committee Meeting

Item 1 – File 02-0910

Note: This item was continued by the Finance Committee at its meeting of July 17, 2002. This item was amended by the Finance Committee at its meeting of July 10, 2002 and was continued. The proposed amendment would make issuance of the bonds, subject to the requirement that Chapter 37 of the Administrative Code be amended to provide that landlords may passthrough to residential tenants 50% of the water bill costs attributable to water rate increases resulting from issuance of the Bonds, where a unit is in compliance with any applicable laws requiring water conservation devices, tenants may file hardship applications with the Rent Board for relief of all or part of the cost passthrough and their affected landlords may utilize any available Public Utilities Commission low-income rate discount program or similar program for water bill reduction based on the tenants' hardship status.

Further, at the request of the Committee, Ms. Martel will respond directly to the Committee pertaining to specific capital improvement project questions raised at the Committee's meeting of July 17, 2002.

Department: Public Utilities Commission (PUC)
Mayor's Office of Public Finance

Item:	Resolution calling and providing for a special election to be held in the City and County of San Francisco for the purpose of submitting to the qualified voters of said City and County on November 5, 2002 a proposition for the issuance of revenue bonds and/or other forms of revenue financing by the Public Utilities Commission in a principal amount not to exceed $1,628,000,000 to finance the acquisition and construction of improvements to the City's water system and for the possible imposition of a surcharge on retail water customers; and consolidating said special election with the General Municipal Election to be held on November 5, 2002; finding the proposed project is in conformity with the priority of Planning Code Section 101.1(b) and the City's General Plan.
Amount:	The maximum principal amount is not to exceed $1.628 billion.
Source of Funds:	Revenue bonds and/or other forms of revenue financing. Other forms of revenue financing include notes, debentures, commercial paper, variable rate demand notes and bonds, auction rate securities, lease revenue bonds, installment sale agreements, and other forms of similar financial products which may be created from time to time.[1]
Description:	The PUC has identified water system ($3.628 billion) and clean water system ($996 million) capital improvement costs totaling $4.624 billion, comprising:

[1] According to Ms. Karol Ostberg of the PUC, the PUC will manage its debt portfolio to achieve an overall objective of minimizing costs and maintaining flexibility to respond to changing market conditions and a dynamic capital improvement program. The bulk of the debt is anticipated to be long-term fixed-rate revenue bonds which have the advantage of known financing costs over the useful life of the asset being financed. The PUC also anticipates using certain types of variable rate debt to take advantage of lower average interest rates. Use of such instruments would be particularly advantageous during construction of capital projects, by lowering the cost of capitalized interest. In addition, certain types of variable rate debt may be issued to permanently fund project costs. The added benefit of overall lower interest rates associated with variable rates is somewhat offset by the interest rate volatility associated with variable rate debt, so such debt would not exceed 25 percent of the entire bond issuance, according to Ms. Ostberg.

- $2.913 billion for regional water system improvements[2]. Regional customers would pay approximately 69 percent of the cost (approximately $2 billion) and San Francisco ratepayers would pay approximately 31 percent of the cost (approximately $913 million).
- $715 million for local water system projects within San Francisco[3]. This would be entirely funded by San Francisco ratepayers.
- $996 million for Clean Water capital improvement projects within San Francisco[4]. This would be entirely funded by San Francisco ratepayers. As explained in Comment No. 15 below, separate bond issues would be required for these projects which are currently estimated to total $996 million.

The $3.628 billion water system capital improvement program is intended to replace or repair aging water system facilities since many of the system's components are at the end of their useful life, address seismic concerns (particularly the lack of back-up facilities), accommodate future increases in the demand for water, and meet future regulatory requirements for the quality of drinking water. If this requested revenue bond authorization is approved by the voters in the November of 2002 election, the 13 year capital improvement program would start in 2003 and construction would be scheduled for completion by 2016. The PUC would review and update the plan annually during this 13 year program.

The water system capital improvement program consists of the 77 projects listed in Attachment V, provided by the PUC. These 77 projects comprise:

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[2] Under the Amendment of the Whole, the regional water system comprises facilities for the storage, treatment, and transmission of water operated and maintained by the City in the Tuolumne, Stanislaus, San Joaquin, Alameda, Santa Clara, and San Mateo Counties, plus three reservoirs in San Francisco itself. The regional water system provides water to the City and the PUC's 29 wholesale customers, who disperse the water to 1.6 million clients in Alameda, San Mateo, and Santa Clara Counties.

[3] The local water system delivers water from the regional water system throughout the City and stores a portion of it locally in City reservoirs.

[4] The clean water system collects, treats, and disposes City sewage and storm water. The City also contracts with public sector agencies in San Mateo County to provide wastewater services.

(a) 37 regional water system capital improvement projects, including three reservoirs within City boundaries which are considered to be regional assets. These 37 projects would cost a total of $2.913 billion of which regional customers would pay approximately $2 billion (approximately 69 percent) and San Francisco ratepayers would pay approximately $913 million (approximately 31 percent), as itemized in Attachment V. This split in financing responsibility is discussed in Comment No. 6.

(b) 40 local water system capital improvement projects at a cost to San Francisco ratepayers of $715 million.

The total cost to San Francisco ratepayers of these 77 projects is $1.628 billion. The proposed revenue bonds in the amount of $1.628 billion would fund:

- $937 million for the actual project construction costs (approximately 57.6 percent of the total $1.628 billion cost).
- $210 million in escalation costs assuming 3 percent annual inflation during the 13 year construction period (approximately 12.9 percent of the total $1.628 billion cost).
- $185 million in program contingency costs and management reserves (approximately 11.4 percent of the total $1.628 billion cost). According to Ms. Karol Ostberg of the PUC, this amount includes a 10 percent margin for program contingencies for the purpose of completing the program on budget and on schedule (10 percent of total construction and escalation costs is $115 million). The contingency will only be available for changes in scope and design that cannot be foreseen at the capital improvement program's outset. In addition, there is a 6 percent management reserve (6 percent of total construction and escalation costs is $69 million). Management reserves are required by large capital improvement programs in order to manage externally imposed conditions, critical emergencies, and other conditions that cannot be predicted in advance.

- $296 million for financing costs (approximately 18.2 percent of the total $1.628 billion cost). This amount comprises:

Financing Costs	Cost
Costs of issuance[5]	$16,280,000
Reserve fund deposit[6]	115,292,000
Bond insurance premium[7]	8,140,000
Capitalized interest fund[8]	156,288,000
Total:	$296,000,000

The breakdown of this $1.628 billion in costs between regional water projects and local water projects is shown in the following table:

	Construction	Construction Inflation	Contingency & Management Reserve	Financing Costs	Totals
Regional Water	$519,437,000	$123,899,000	$103,792,000	$166,026,000	$913,154,000
Local Water	417,854,000	85,814,000	81,296,000	129,974,000	714,938,000
TOTAL:	$937,291,000	$209,713,000	$185,088,000	$296,000,000	$1,628,092,000*

* Note: Rounds to $1.628 billion.

All expenditures of bond proceeds for capital improvement program purposes, and all capital budgets, are subject to appropriation approval by the Mayor and the Board of Supervisors.

[5] Costs of issuance include (a) rating agency fees (an estimated $6,512,000 or approximately 40 percent of the total costs of issuance), (b) bond counsel fees (an estimated $5,698,000 or approximately 35 percent of the total costs of issuance), (c) financial advisory fees (an estimated $2,442,000 or approximately 15 percent of the total costs of issuance), and (d) printing and distribution of official statements, and other related fees (an estimated $1,628,000 or approximately 10 percent of the total costs of issuance).

[6] The debt service reserve fund is equal to maximum annual debt service.

[7] A bond insurance policy makes scheduled debt service payments if the issuer fails to do so. Bond insurance provides an issue an AAA rating and the resulting lower interest rates save more than the cost of the bond insurance premium, according to Ms. Ostberg.

[8] The capitalized interest fund is for bond proceeds which are reserved to pay interest on an issue for a period of time early in the term of the issue when capital improvement project construction is commencing.

The proposed resolution to authorize a $1.628 billion revenue bond issue, although considerably smaller than the original $3.628 billion proposal, would remain the largest single voter authorization ever put before San Francisco voters. As noted above, the $1.628 billion in revenue bonds would finance the 77 water system capital improvement projects listed in Attachment V.

Comments:

Capital Improvement Program Planning

1. In February of 1998, the PUC published a draft long-term Water Enterprise capital improvement plan which identified projects cumulatively costing an estimated $3.5 billion and initiated development of a Program Management Consultant contract to assist with delivering such a large capital improvement program. In January of 2000, two long-range financial reports by Bartle Wells Associates recommended that the PUC develop and adopt an integrated capital improvement program and long-range financial plan. In February of 2000, the State Auditor General recommended the completion of a long-range capital improvement program financial plan. In April of 2000, the PUC published a *Water Supply Master Plan* and a *Facilities Reliability Plan* which identified critical water system capital improvement projects, most of which were included in prior reports, but which failed to develop financing plans. On August 28, 2000, the Board of Supervisors authorized the first year of a four-year Program Management Consultant contract between the PUC and the San Francisco Water Alliance[9], now renamed the Water Infrastructure Partners (see Comment No. 17). Since then, the PUC and the Program Management Consultant have worked to develop plans which (a) prioritized capital improvement projects in terms of their ability to improve reliability and reduce exposure to risk, (b) accurately estimated individual capital improvement projects' costs, (c) specified the project activities and staffing required to complete individual capital improvement projects, and (d) included financing plans.

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[9] The San Francisco Water Alliance was a joint venture of Bechtel Infrastructure Corporation, The Jefferson Company, and Sverdrup Civil, Inc.

2. The PUC hired a permanent General Manager in September of 2001 who focused on further development of the capital improvement program. In January of 2002, the General Manager presented the PUC with revised draft capital improvement plan documents. In response, the PUC requested public hearings to solicit feedback from local ratepayers and regional customers. Further revisions to the draft capital improvement program documents were made based on the input received at the public hearings, and on May 28, 2002, the PUC approved three key documents:

- A *Long-Term Strategic Plan for Capital Improvements* which identifies strategic objectives and performance measurements to guide the capital improvement program.
- A ten-year capital improvement program showing capital improvement program costs and schedules. Ms. Ostberg advises that all projects will begin construction within ten years, but that some may take up to an additional three years to close-out or complete, for a total of 13 years.
- A *Long-Range Financial Plan* which recommends an optimal strategy for financing the capital improvement program.

Evaluations of the Capital Improvement Program

3. Following a recommendation from the Mayor's Public Utilities Infrastructure Task Force, the PUC's General Manager hired R.W. Beck, an independent engineering firm, to review the development and validity of the entire capital improvement program, the PUC's ability to successfully implement a capital improvement program of that size, and the long-range financial plan. Ms. Ostberg states that R.W. Beck was selected by the PUC General Manager on the basis of that firm's reputation, experience with similar projects, independence from the PUC (it has no other business with the PUC), and availability. Appendix 1 to this report presents a digest of R.W. Beck's conclusions and recommendations.

4. In April and May of 2002, the R.W. Beck evaluation was reviewed by a Blue Ribbon Panel of professionals

selected by the PUC's General Manager in consultation with the San Francisco Planning and Urban Research Association (SPUR) who had expertise in water delivery, infrastructure, planning, finance, and other disciplines. This panel made a number of recommendations which are also summarized in Appendix 1 to this report.

5. Attachment I, provided by the PUC, states that the PUC agrees with all of the recommendations made by both R.W. Beck and the Blue Ribbon Panel, and states that it plans to implement those recommendations over the next two to three years.

Concurrent Legislative Developments

6. As outlined in Attachment I, provided by the PUC, the State Legislature is currently considering three bills which would impact the PUC's proposed capital improvement program. Of these three bills, SB1870 is supported by the PUC. SB1870 was originally proposed by the Bay Area Water Users Association to give wholesale customers more opportunity to be involved in financing regional water system capital improvement projects. SB1870 proposes to establish an independent entity, the San Francisco Bay Area Regional Water System Financing Authority, for the financing of regional water system projects. If enacted, the San Francisco Bay Area Regional Water System Financing Authority would assume responsibility for issuing revenue bonds in the amount of approximately $2 billion, or approximately 69 percent of the $2.913 billion regional water system capital improvement program costs for which wholesale customers are responsible. This would leave the City responsible for issuing revenue bonds for the remaining approximately 31 percent, or approximately $913 million, of the regional water system capital improvement program for which the City is responsible. The amount of $913 million for the City's share of the regional water system capital improvement program plus $715 million for the local water system capital improvement program totals the $1.628 billion revenue bond issue and/or other forms of revenue financing which are now being proposed under this legislation. Attachment I, provided by the

PUC, outlines the three State bills and their potential impacts on the PUC's capital improvement program.

Capital Improvement Program Funding

7. According to Ms. Ostberg, the general provisions of the sale of the Water Revenue Bonds would be as follows:

- The timing of the issuance of the water revenue bonds each year would be determined by market conditions and capital improvement project spending rates. While the table below aligns projected bond issuance dates with projected capital improvement project expenditures, funding in certain years could initially take the form of commercial paper or other variable rate interest debt to be refunded by later bond issues, if financially advantageous to the City.
- At any given time, the PUC might have financing in place such as commercial paper to serve as interim financing during the capital improvement project construction phases, as well as 30 year term fixed or variable rate bonds to provide permanent financing once construction is completed.
- The PUC expects to actively seek and take advantage of other financing sources as they become available, including State or Federal grants, extraordinary revenues (for example, one-time revenues from surplus land sales), and State revolving funds. Such alternative sources, if available, would reduce the amount of bonds which would need to be issued and would lower the overall capital improvement program costs.
- Each type of financing would require the prior approval of the Mayor and the Board of Supervisors.
- The water revenue bonds would be issued at an interest rate not to exceed 12 percent, or whatever future cap (if any) is set by State law.

8. Attachment II, provided by the PUC, shows the projected debt service schedule for proposed revenue bonds in the amount of $1.628 billion to be issued during the period of FY 2003-2004 through FY 2031-2032. Ms. Ostberg states that the average annual debt service payment will be $85 million for each of the 30 years from

FY 2003-2004, and the total debt service payment over 30 years will be $2.551 billion.

9. Attachment III, provided by the PUC, shows that San Francisco ratepayers currently pay the second lowest average water rates in the Bay Area. In FY 2002-2003, San Francisco ratepayers pay an average monthly water bill of $14.43, compared to an average monthly water bill of $17.51 across the 12 Bay Area jurisdictions. However, as shown in the table below, San Francisco ratepayers' share of water system projects would be paid for by projected gradual increases in water rates from an average monthly bill of $17.16 in FY 2003-2004 to an average monthly bill of $47.07 in FY 2015-2016, a $29.91 per month or approximately a 174.3 percent increase using 2003 dollars. Ms. Ostberg advises that the water rates of other utilities will also increase during this period as a result of their own capital improvement programs or because they are wholesale customers of the PUC.

Even though the proposed resolution reduces the revenue bond amount by $2 billion, from $3.628 billion to $1.628 billion, the water service rate increase for San Francisco ratepayers would remain 174.3 percent. This is because San Francisco ratepayers' share of the water system capital improvement program remains $1.628 billion under either proposal, comprising $913 million for the City's share of regional water system capital improvement projects and $715 million for local water system capital improvement projects. The remaining $2 billion of regional water system projects would be funded by regional water customers.

According to Mr. Bill Berry of the PUC, concerns have been expressed by representatives of residential landlords and tenants over whether or not the proposed resolution should permit residential landlords to recover water rate increases from tenants in units covered by the provisions of Chapter 37 of the San Francisco Administrative Code (the Residential Rent Stabilization and Arbitration Ordinance). As of the writing of this report, no decision has been made whether or not to include a pass-through provision in the proposed resolution.

10. The following tables present (a) the PUC's projected sale of revenue bonds or other instruments in the amount of $1.628 billion, and (b) the impacts on residential rates for San Francisco households during the period of FY 2003-2004 through FY 2015-2016.

Projected Bond Issuance Schedule

Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Amount of Financing Issued	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)
Regional Water	$7	$17	$24	$67	$105	$132	$130
Local Water	10	20	53	67	77	154	133
Annual Total	$17	$37	$77	$134	$182	$286	$263
Fiscal Year	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**Totals**
Amount of Financing Issued	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)	($ million)
Regional Water	$165	$79	$66	$56	$44	$21	$913
Local Water	77	31	56	37	0	0	715
Annual Total	$242	$110	$122	$93	$44	$21	$1,628

Anticipated Impact on Residential Customers

Fiscal Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Average monthly cost to SF households	$17.16	$20.42	$22.46	$24.71	$26.93	$29.35	$32.00
Fiscal Year	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	
Average monthly cost to SF households	$34.88	$38.01	$41.06	$43.11	$45.26	$47.07	

11. The water rates for San Francisco businesses between Fiscal Year 2003-2004 and 2015-2006 would increase by an estimated 174.3 percent using 2003 dollars, the same increase projected for residential users.

12. The Amendment of the Whole proposes that the maximum principal amount of $1.628 billion could be reduced if the Board of Supervisors determines that San Francisco ratepayers would benefit from having the proposed San Francisco Bay Area Regional Water System Financing Authority finance, in whole or in part, the City's portion of the regional water capital improvement program. According to Ms. Theresa Alvarez of the City Attorney's Office, if the San Francisco Bay Area Regional Water System Financing Authority finances such projects, the City would need to take one of two actions in order to be a voting member of the San Francisco Bay Area Regional Water System Financing Authority, as required by SB1870. The City would either have to seek voter approval to (a) repeal Proposition H, or (b) impose a surcharge on retail water rates so that San Francisco ratepayers pay their share of the debt service on the bonds issued by the San Francisco Bay Area Regional Water System Financing Authority, and its operating expenses, given Proposition H constraints on water service rate increases. Ms. Alvarez states that if the proposed resolution is not approved by the voters, then the same powers could be obtained through the proposed Charter Amendment described in Comment No. 22 below. The size of the surcharge would be dependent upon the amount of debt incurred by the San Francisco Bay Area Regional Water System Financing Authority and the interest rates applying at the time the debt is incurred.

13. Ms. Ostberg states that during the public hearings on the PUC's proposed capital improvement program, the PUC received considerable public comment from all customer classes on the impact of the proposed bond measure on those least able to pay higher rates. Therefore, the PUC intends to initiate a rate study to (a) review the PUC's rate structure, (b) ensure that rates are fairly distributed among customer classes, and (c) incorporate a means to support conservation and recycling initiatives. The rate study results are expected in early

2003, after the November of 2002 election but prior to the first issuance of the proposed bonds and the resulting rate increase. Ms. Ostberg advises that this rate study cannot be completed earlier because its largest component, a demand study, requires examination of the peak demand period of September through October of 2002. Ms. Ostberg advises that a rate study has not already been completed because (a) the PUC lacked a permanent General Manager, and (b) one of the key lessons learned from the public hearings was the public's desire to better understand the PUC rates structure.

14. Appendix 2 to this report provides additional information on the PUC's Water Enterprise credit ratings, other financing options if voters do not approve the proposed revenue bonds, and Charter Section 9.107 exceptions.

15. As noted above, the proposed resolution does not cover the current estimate of $996 million needed to fund the ten projects designed to replace or repair aging clean water facilities. According to Ms. Ostberg, the public outreach hearings on the capital improvement plan held by the PUC in the Spring of 2002 identified a lack of community support for the Clean Water capital improvement projects selected by the PUC and raised a number of environmental issues. Therefore, the PUC General Manager is recommending that the PUC prepare a separate, comprehensive sewer service master plan over the next 18 to 24 months. Ms. Ostberg states that the PUC anticipates bringing a Clean Water Revenue Bond proposal to the Board of Supervisors during calendar year 2004.

Program Management Consultant

16. On August 28, 2000, the Board of Supervisors approved a four-year contract between the PUC and the San Francisco Water Alliance[10] for program management services related to the capital improvement program

[10] The San Francisco Water Alliance consisted of Bechtel Infrastructure Corporation, Sverdrup Civil, Inc., and The Jefferson Company.

(Board Resolution 754-00), subject to annual Board of Supervisors approval to renew the contract.

17. On March 28, 2002, Bechtel Infrastructure Corporation withdrew from Contract Year 2 of the Program Management Consultant contract, thus terminating its contractual relationship with the City. The remaining joint venture partners, now consisting of Primus Industries, Inc.[11] and Jacobs Civil, Inc.[12] and renamed the Water Infrastructure Partners, requested that the PUC reassign the program management services contract to their reconstituted joint venture, with Jacobs Civil, Inc. as the lead partner responsible for meeting the contract requirements, the role formerly performed by Bechtel Infrastructure Corporation[13]. PUC staff determined that the reconstituted joint venture met or exceeded each of the original Request for Proposals' requirements and was therefore qualified and competent to assume responsibility for completing the contract term. The PUC accepted the proposed reassignment of the contract to the reconstituted joint venture, subject to Board of Supervisors approval to (a) reassign the contract, (b) waive the competitive procurement requirements of Administrative Code Sections 6.40 *et seq.*, and (c) release the remaining contract funds for Contract Year 2 which expires on September 21, 2002. Board of Supervisors approval was granted on June 17, 2002 (File 02-0905). According to Mr. Jeet Bajwa of the PUC, it is the PUC's intention to request that the Board of Supervisors

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[11] On October 1, 2000, The Jefferson Company changed its name to Primus Industries, Inc. Mr. Jefferson states that he is the sole owner of Primus Industries, Inc. According to Ms. Lillie Sunday of Primus Industries, Inc., on October 1, 2000 The Jefferson Company changed its name to Primus Industries, Inc. "to provide the necessary infrastructure required to support our rapid growth in size, services, and capabilities. We operate as Primus Industries, Inc. with two subsidiary companies: Primus Transportation Company, and Primus Infrastructure Company." Mr. Jeet Bajwa of the PUC states that when The Jefferson Company's name change to Primus Industries, Inc. took place on October 1, 2000, the Human Rights Commission was advised immediately and Human Rights Commission certification was issued on March 12, 2001. However, for the purposes of the former San Francisco Water Alliance contract, The Jefferson Company name was left unchanged.

[12] On March 1, 2002, Sverdrup Civil, Inc. was purchased by Jacobs Civil, Inc. and ceased to exist as a separate entity.

[13] In a March 28, 2002 letter to the PUC's General Manager, Mr. James Jefferson, President and CEO of Primus Industries, Inc. and Ms. Darlene Gee, Vice-President of Jacobs Civil, Inc. state: "We propose to rename our joint venture, if desirable, to allow a clean break from the association with past perceptions. We would restructure the joint venture and designate Jacobs Engineering as the lead. Everything else would remain unchanged."

approve Contract Year 3 continuation of the contract with the renamed Water Infrastructure Partners (September 22, 2002 through September 21, 2003).

18. The Controller has performed three audits of the Program Management Consultant's performance against its task orders, short-term performance measures, and long-term performance measures (July 20, 2001, October 2, 2001, and April 8, 2002). In August and September of 2001, an independent Peer Review Panel reviewed the work of the Program Management Consultant [14]. In May of 2002, the PUC completed a new performance evaluation of the Program Management Consultant which concluded that during the first half of Contract Year 2 the Program Management Consultant performed as follows. On a scale of 1 (did not deliver as agreed), 2 (partial fulfillment), and 3 (delivered as agreed), the Program Management Consultant scored 3 for "adherence to project schedule" and "task management", 2.61 for "adherence to project schedule," and 2.58 for "quality of work" in relation to 12 tasks. Therefore, the PUC evaluated the Program Management Consultant as fully meeting half of its key performance measures.

19. The Budget Analyst notes that while the PUC intended to fully integrate PUC and Program Management Consultant staff during the first two contract years, such integration has not taken place. The Budget Analyst also notes that the ability of the Program Management Consultant to achieve significant, documented, and verifiable capital improvement program management savings remains unproven.

[14] The independent Peer Review Panel, convened to meet the Board of Supervisors requirement for an independent peer review of Contract Year 1 of the San Francisco Water Alliance contract, comprised Mr. Paul Findley and Mr. Peter Talbot of Malcolm Pirnie, Inc. (a private company of environmental engineers, scientists, and planners) and Dr. Douglas Selby, Deputy City Manager of the City of Las Vegas. A key recommendation of that peer review was that performance measures should be established within each task order issued to the Program Management Consultant by the PUC.

Workforce Issues

20. Since the Budget Analyst's first report on the Program Management Consultant contract issued in August of 2000, the Budget Analyst has noted the PUC's historic inability to fill vacant engineering positions in the PUC's Utilities Engineering Bureau. According to Ms. Therese Madden of the PUC, as of July 3, 2002 the Utilities Engineering Bureau has 60 vacancies out of 197 positions in total (approximately 30.5 percent). Of these 60 vacancies, 40 are in engineering classes, out of 119 engineering positions in total (approximately 33.6 percent), and ten are in technical classes. Ms. Madden states that the PUC has initiated the hiring process for 11 of the 40 vacant engineering positions. Ms. Madden advises that the majority of the remaining 49 vacant engineering positions are in classifications which now have eligible lists, and therefore hiring appointments could be made immediately. However, the hiring process has not been initiated for those 49 vacant positions because such positions are to work on capital improvement projects funded by the proposed revenue bonds which have yet to be approved by the voters. Ms. Madden states that the Utilities Engineering Bureau does plan to initiate the selection processes for these 49 vacant positions in the Fall of 2002, in advance of the voters' approval of the proposed revenue bonds, so that potential candidates can be hired and begin work as soon as the revenue bonds are approved.

21. For FY 2002-2003, the PUC requested $1,849,491 to establish a Capital Improvement Program Team to manage the capital improvement program. The Budget Committee has recommended this request for approval by the Board of Supervisors. The requested $1,849,491 includes $1,186,491 for 18 new positions (13.50 FTEs in FY 2002-2003) and $663,000 for contractual services, materials and supplies, and equipment. Ms. Madden states that the PUC has implemented a hiring plan to staff the new Capital Improvement Team by October 1, 2002. Recruitment has been underway for some time for the program manager positions, and the PUC is initiating an examination process to establish a permanent list for such positions. Selections are currently being made from

the Senior Engineer and Association Engineer lists. The PUC intends to make all administrative and clerical appointments by October 1, 2002, according to Ms. Madden. Attachment IV, provided by the PUC, contains the proposed capital improvement program staffing plan and an explanation of the FY 2002-2003 capital improvement program objectives.

Proposed Charter Amendment[15]

22. According to Ms. Vicki Clayton of the City Attorney's Office, a proposed Charter amendment (File 02-0887) would establish the PUC's exclusive control of water and clean water utilities; rate setting standards and methods; the transfer of surplus funds between utilities; independence in contracting; purchasing, hiring, and selection of contractors; reporting and planning requirements; and authorization of revenue bonds or other financing methods without voter approval, if this proposed Charter Amendment is adopted by the voters. Ms. Ostberg states that to the extent that this proposed Charter Amendment gives the PUC authority to issue bonds without voter approval, this Charter Amendment would negate the need for the proposed voter-approved revenue bond issuance of $1.628 billion in its current form.

Fire Department

23. While the PUC is responsible for managing the low-pressure water system, the Fire Department is responsible for managing the City's high pressure water system, the Auxiliary Water Supply System (AWSS). The Capital Improvements Advisory Committee expressed concern that the PUC has not consulted the Fire Department about the impact of its water system capital improvement projects on the AWSS. In Attachment I, Mr. Berry states that the proposed capital improvement program would not significantly affect, either positively or negatively, the performance or reliability of the Fire Department's AWSS.

[15] The other PUC Charter Amendment currently before the Rules and Audits Committee, File 01-2056, addresses PUC financing authority in relation to the power system only.

Revised 7/19/02
Item 1 – File 02-0910

Summary of the Issues Noted by the Budget Analyst:

1. The Budget Analyst notes a number of issues which could impact the size of, and potential voter support for, the proposed revenue bond issuance:

- The PUC's projected 174.3 percent increase in water rates payable by San Francisco residential and commercial ratepayers over the first 13 years of the capital improvement program would adversely impact San Francisco ratepayers.
- The PUC will not be able to issue its proposed rate study report, which will ensure that rates are fairly distributed among customer classes, before the November of 2002 election.
- The Proposition H water rate and sewer service charge freeze has had a negative impact on the PUC's credit ratings, increasing interest rates by an estimated 0.2 percent, which increases debt service by $2,000,000 annually for every $1 billion of revenue bonds issued. Proposition H does not expire until July 1, 2006.
- The need for the proposed voter-approved revenue bond issue could be negated if voters approve a Charter Amendment proposed for the November of 2002 ballot (File 02-0887) which would give the PUC authority to issue bonds without voter approval.

2. The Budget Analyst notes that the PUC's Program Management Consultant contract with the San Francisco Water Alliance, now reconstituted as the Water Infrastructure Partners, has, to date, failed to (a) fully integrate PUC and contractor staff, and (b) provide significant, documented, and verifiable capital improvement program management savings despite the PUC's assurances to the Board of Supervisors that such savings are achievable.

3. The Budget Analyst also notes the PUC's historic difficulty in filling vacant engineering positions in the PUC's Utilities Engineering Bureau which is a key resource for implementing the proposed capital improvement program funded by the proposed revenue bonds.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

APPENDIX 1: INDEPENDENT EVALUATIONS OF THE CAPITAL IMPROVEMENT PROGRAM

R.W. Beck

R.W. Beck's May 21, 2002 report on the capital improvement plan concluded that:

- While supportive of the capital improvement program planning approach, Bay Area Water Users Association (BAWUA) members are frustrated by the PUC's slow progress in implementing the capital improvements. BAWUA has introduced State bills to create an agency which would allow BAWUA members to directly fund needed regional water system capital improvements.
- BAWUA members are concerned whether the PUC intends to continue to be a regional water provider that will meet BAWUA members' water supply requirements for the long term.
- The criteria for selecting, sizing, and measuring the performance of capital improvement program projects needs to be more fully developed, with quantifiable objectives and standards.
- The proposed capital improvement projects are necessary to maintain the regional and local water systems.
- The proposed capital improvement projects are at varying levels of definition and investigation, so the accuracy of the cost and schedule information varies. The PUC and its Program Management Consultant had endeavored to standardize the costs and schedules. R.W. Beck characterized this work as "diligent" and "methodical," stating that the approach followed by the PUC and the Program Management Consultant was "consistent with, and probably better than that used by most similar utility systems in preparing CIP programs."
- The consolidated capital improvement program/long-range financial planning process clearly prioritizes projects, ensures better cost estimates, and provides a valid basis for approval and adoption.
- Annual review of the capital improvement program by the PUC is appropriate.
- Historically, the PUC has tracked capital improvement program costs by classification of project which makes it difficult to evaluate the performance of individual projects.
- The long-range financial plan is logically constructed and is based on reasonable financial assumptions.

- Proposition H[1] poses serious threats to the PUC's ability to maintain satisfactory reserves and coverage ratios to support the debt that will be needed to fund the capital improvement program.
- The community needs better information on the costs and trends in other cities facing similar issues.

R.W. Beck further concluded that there is a significant risk that the planned level of project delivery will not be achieved, especially in the initial years of the program, because of:

- The relative inexperience of the PUC's Capital Improvement Program Manager in implementing a capital improvement program of this magnitude and complexity.
- The vacancy of the Assistant General Manager for Infrastructure position. According to Mr. Jeet Bajwa of the PUC, this position has been vacant since November of 2001. After several internal PUC candidates were considered, the PUC hired an external recruitment consultant to advertise the position in May of 2002. Ms. Ostberg advises that an interim Assistant General Manager for Infrastructure, Mr. Donald Birrer, a former PUC General Manager, was appointed on July 1, 2002, while the national recruitment search continues. The PUC expects to fill the position by September of 2002, according to Ms. Ostberg.
- The PUC's cumbersome hiring practices.
- The status of the program/project monitoring and controls system. Mr. Bajwa states that an evaluation of several control system tools is currently underway, with a decision expected to be made in December of 2002.
- The potential 12 to 24 month delay in hiring a new program management services contractor if the current Program Management Consultant is replaced.

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[1] Proposition H, approved by the voters on June 2, 1998, freezes water rates at their current levels until July 1, 2006, proposed to the following exceptions:

- The rate freeze does not apply to the fees charged to customers located outside of San Francisco.
- The rate freeze could be suspended if the City declared an emergency, as defined by Charter Section 3.100.
- The rates could be increased to repay the money borrowed through the City's issuance of bonds for improvements to the water system approved by the voters in November of 1997 (Propositions A and B), but such increases cannot exceed a total of 18 percent during the period between July 1, 1998 and July 1, 2006.
- The rates could be increased to repay money borrowed from further improvements to the water system approved by voters in the future.

The effective date of Proposition H, July 1, 1998 followed two years of rate freezes self-imposed by the PUC. Therefore, Proposition H froze rates at their 1996 levels through June 30, 2006, with the exception of the 18 percent increase allowed for debt service related to Propositions A and B Water Revenue Bonds. Of the $304,000,000 authorized by Propositions A and B, the issuance of $140,000,000 in Water Revenue Bonds during FY 2001-2002 necessitated an 8.65 percent average rate increase for retail customers. The anticipated issuance of the remaining $164,000,000 in Water Revenue Bonds during FY 2002-03 will necessitate a further 8.60 percent average rate increase for retail customers, for a compounded cumulative rate increase of 17.99 percent over two years, thereby hitting the 18 percent cap imposed by Proposition H (File 02-0904)

- The need for a tenfold increase in the rate of project delivery. The PUC has historically developed and implemented capital projects at a slow pace.
- The lack of project accountability related to cost and schedule.
- The lack of an Asset Management Plan to follow-up on capital improvement projects after completion.
- The cumulative effect of all of the tasks scheduled to be accomplished over the next 12 months.

Based on the above conclusions, R.W. Beck recommended that the PUC:

- Coordinate with BAWUA to (a) refine the Regional Water Master Plan to reflect mutually agreeable performance standards, (b) conduct an integrated resources management plan, and (c) evaluate alternative regional associations for implementing critical regional water improvements.
- Formally adopt the capital improvement program, establish a process for the annual update, reporting, and/or approval of changes, and declare that the PUC intends to be a long-term regional provider of water.
- Continue to use the cost model, capital improvement program scheduling, and "optioneering"[2] tools developed over the last two years.
- Make hiring an Assistant General Manager for Infrastructure a top priority to (a) manage external communications and expectations, and (b) develop a Business Plan with the Program Management Consultant.
- Establish a joint venture between the PUC's Capital Improvement Program Group and the Program Management Consultant to establish a clear and integrated working relationship between the two organizations. Such an arrangement is not unusual in implementing major public sector projects with private consultants, according to R.W. Beck.
- Develop a dual-track or contingency plan approach for capital improvement plan implementation during the first several years.
- Develop an Asset Management Plan to track future system maintenance and capital replacement requirements.
- Implement a capital improvement program oversight committee to conduct an annual review of the capital improvement program.
- Implement an internal Technical Advisory Committee to provide oversight of individual capital improvement program projects.
- Streamline PUC review and approval processes.
- Capitalize interest over three years rather than two years to better represent the costs incurred prior to project commercialization.

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[2] "Optioneering" is a process which uses alternative analyses to (a) identify the real project needs, (b) determine the appropriate evaluation criteria, (c) evaluate solutions against those criteria, (d) select the optimum project, (e) define the design base, and (f) obtain engineering and customer concurrence. The optioneering assessment should include capital and operating costs, specification requirements, environmental implications, and preliminary schedules.

- Take the steps necessary to protect bond ratings given the capital improvement program's debt financing requirements.
- Review the formula for calculation of Suburban Water Revenue Requirements when the Master Water Sales Contract is renewed. If possible, the PUC should amend the Master Water Sales Contract (which is due to expire on June 30, 2009) prior to any additional bond issues. If revenues can be more closely tied to debt service, the financial community's confidence should be enhanced.

Blue Ribbon Panel

In April and May of 2002, the R.W. Beck evaluation was reviewed by a Blue Ribbon Panel of professionals with expertise in water delivery, infrastructure, planning, finance, and other disciplines, convened by the San Francisco Planning and Urban Research Association (SPUR)[3]. The Blue Ribbon Panel concluded that the R.W. Beck evaluation was "very competent, comprehensive, rigorous, accurate and on target for this stage in the [capital improvement] program." The Blue Ribbon Panel further recommended that:

- Develop project management and accounting mechanisms which allow for real-time assessment of project status and cost-run rates, and which are consistently applied to all capital improvement projects.
- Fully integrate the Facilities Reliability Program (seismic) and the Water Supply Master Plan (conservation, desalination, and recycling), and develop detailed, regularly updated system recovery plans.
- Clearly delineate seismic design, water reliability, and drought supply standards. The capital improvement program should be flexible enough to adapt to higher water treatment standards in the future. An analysis should be conducted of whether system replacement every 100 years is an acceptable life cycle.
- Explain to the public the reasons for potential uncertainties in project cost estimates in order to allay public concerns about budget overruns.

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[3] The panel members were (a) Jim Chappell, SPUR, (b) Margaret Bruce, Silicon Valley Manufacturing Group, (c) Dennis Diemer, East Bay Municipal Utility District, (d) David Dowall, University of California, (e) Jeanne Myerson, San Francisco Chamber of Commerce, (f) John Wise, Natural History Institute, and (g) Greg Zlotnick, Santa Clara Valley Water District.

- Report on the projects planned and completed pursuant to Propositions A and B[4], as well as an assessment of who those projects relate to the capital improvement program.
- Develop a larger policy context to guide implementation and define priorities in terms of environmental stewardship, environmental justice, stakeholder involvement, the PUC's role, regional service commitments, integrated resource planning, and regional crisis planning. Once policies and goals are established, they should be translated into performance measures.
- Streamline contracting procedures and incorporate penalties for cost overruns, sharing of cost savings, and bonuses for completion ahead of schedule.
- Clearly differentiate between projects which require permanent staff (for ongoing utility functions) and projects which require consultants (for time-defined tasks).
- Develop a rate structure which includes incentives for suburban customers to reduce peak water usage. Reduction of future peak demands could reduce the size of future facilities and, therefore, capital improvement program costs.
- Take account in the long-range financial plan of lower interest rates for bond money.

[4] In November of 1997, voters approved $157,000,000 of Water System Reliability and Seismic Safety Bonds and $147,000,000 of Safe Drinking Water Revenue Bonds, for a total of $304,000,000. According to Ms. Ostberg, the PUC spent the first 18 months planning and designing the construction projects and putting a commercial paper program into place. While the ordinances indicated that revenue bonds would be the ultimate funding source for the projects authorized by Propositions A and B, from July of 1999 the PUC used commercial paper to fund the initial expenditures because commercial paper provided greater flexibility and lower interest rates. The PUC issued $140,000,000 of these bonds in August of 2001, of which approximately $85,000,000 was used to refund outstanding commercial paper notes, and the remaining $164,000,000 is anticipated to be sold in FY 2002-03. The proceeds of that second issue will, after payment of issuance costs, be used to retire all outstanding commercial paper notes, and the remainder will be applied towards approved Proposition A and B projects. Of the seismic and safety projects, at February 28, 2002, 35 percent were complete, 57 percent were underway, and 8 percent had not been started. Of the water quality projects, at February 28, 2002, 28 percent were complete and 72 percent were underway.

APPENDIX 2: FINANCING ISSUES

Water Enterprise Credit Rating

On June 10, 2002, the Budget Analyst issued a *Review of Best Practices for Financing Large Capital Improvement Projects at Municipal Utilities in the State of California*, which was prepared in conjunction with the Legislative Analyst's Office, the Mayor's Director of Public Finance, and the PUC. In that report, the Budget Analyst concluded that the Proposition H rate freeze has had a negative impact on the Water Enterprise's credit ratings.

Prior to the rate freeze, Moody's rated the Water Enterprise as "Aa" and Standard and Poor's rated the Water Enterprise as "AA with a stable outlook." Now, Moody's rates the Water Enterprise as "A1" and Standard and Poor's rates it as "A+ with a stable outlook." Of the 12 major Californian public utilities surveyed by the Legislative Analyst's Office, the Water Enterprise (in combination with the Clean Water Enterprise) had the lowest Moody's and Standard and Poor's ratings. Both rating agencies advised the Legislative Analyst's Office that ratings upgrades would not occur until the Water Enterprise's financial profiles, as measured by factors such as debt service ratios, improve dramatically, coupled with reassurances that the capital improvement program would be implemented and supported with a credible and sustainable financial plan. Such financial improvements could only occur by increasing water service rates and obtaining rate-making authority to further increase water service rates in the future in order to ensure financial stability, flexibility over capital improvement program implementation, and funding authorization.

Financial projections for the Water Enterprise indicate that its financial viability will largely be maintained through FY 2006-2007, and that the City will be able to meet the debt service coverage requirements contained in the Water Revenue Bond covenants[1]. However, these projections do not include funding the capital improvement program's water projects. The Mayor's Director of Public Finance, Ms. Monique Moyer, estimated that the Water Enterprise's lowered credit ratings would result in a 0.2 percent increase in interest rates if the PUC issued new revenue bonds today, which is $2,000,000 of additional debt service annually for every $1 billion of revenue bonds issued.

[1] Debt service coverage requirements in the revenue bond indentures require that net revenues, together with unappropriated fund balances, in each fiscal year must be equal to at least 1.25 times more than the revenue bond annual debt service due in that fiscal year.

Other Financing Options if Insufficient Voter Support

According to the *Long-Range Financial Plan*, without additional voter-approved debt, capital investment in the water system will be limited to the approximately $20,000,000 annually which can be supported by operating revenues. Attachment I, provided by the PUC, explains the full range of options available to the PUC if the proposed bond measure was not passed by the voters. These options are:

- Delaying projects until voter approval is secured.
- Delaying replacement and repair projects until after the July 1, 2006 expiration of the Proposition H rate freeze, at which time three-quarters of the Board of Supervisors could approve such projects (barring any other voter-imposed restriction).
- Losing PUC control of the regional water system to a regional financing authority.

The Budget Analyst notes that there is also the option of entering into an agreement with regional water service customers, and perhaps with the State, to permit regional participants to directly finance regional projects and jointly assume the risks involved. Under this scenario, the city would pay one-third of the cost of such projects by making payments to a Joint Powers Authority formed by its customers. This approach would raise issues about the ownership of improvements, operation of the regional system, and the governance and powers of the Joint Powers Authority.

Charter Section 9.107

There are exceptions to the voter approval requirement of Charter Section 9.107 which mandates that the issuance of revenue bonds for the water system be approved by a simple majority of the electorate. Revenue bonds can be issued for the water system with a three quarters approval of the Board of Supervisors if the proceeds of such bonds are used to: (a) comply with a State or Federal order, (b) reconstruct or replace existing water facilities under the PUC's jurisdiction, or (c) create or maintain alternative energy sources.

In Attachment I, Mr. Bill Berry of the PUC advises that "a portion of the projects for the local water system qualify for financing pursuant to this provision." However, Mr. Berry notes, as a result of the Proposition H rate freeze, rates could not be raised to fund debt service on bonds that do not have voter approval. Therefore, issuance of bonds under Charter Section 9.107 would be restricted until after July 1, 2006, and could be restricted by future voter action.

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 3, 2002

TO: Board of Supervisors' Budget Analyst   cc: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: Water Bond Measure (File 02-0910)

Summary

This memorandum is intended to respond to certain questions raised by the Board of Supervisors' Budget Analyst in its review of the proposed bond measure for the Water Enterprise.

Follow-up to RW Beck & Blue Ribbon Panel

As noted in the Budget Analyst's report, the SFPUC retained RW Beck to review its proposed Capital Improvement Program and Long-Range Financial Plan. RW Beck was selected by the SFPUC based on Beck's national reputation for providing independent reviews associated with Bond Financings and capital programs in the water and wastewater areas, and because RW Beck had not provided other consulting or engineering services to the SFPUC in the past.

RW Beck's report provides a review of three areas:

- CIP Process: RW Beck reviewed the development and validity of the CIP as proposed by SFPUC staff.
- CIP Implementation: RW Beck reviewed the SFPUC's ability to successfully deliver the proposed program in an efficient and timely manner.
- CIP Revenue Requirements: RW Beck reviewed the proposed Long-Range Financial Plan.

In general, RW Beck concluded that the proposed CIP was developed through a Comprehensive Process, that the CIP projects are good and necessary, and that the CIP effort and level exceeded the norm. In addition, RW Beck concluded that the LRFP was logically constructed and functionally correct, and that the financial assumptions are reasonable.

In its review of CIP implementation, RW Beck noted a number of challenges, including leadership concerns, staffing and hiring, and concerns related to the SFPUC's program management consultant. RW Beck provided a number of specific recommendations, with which the SFPUC concurs completely. The SFPUC has already initiated follow-up in a number of key areas:

- Leadership: The SFPUC has hired Don Birrer (formerly Executive Director of the Clean Water Program and General Manager of the SFPUC) as Interim Assistant General Manager for Infrastructure to provide high-level leadership to the CIP. The SFPUC's new CIP Group and its Utilities Engineering Bureau, led by Karen Kubick and Michael Quan, respectively, will report to Mr. Birrer. In addition, the SFPUC has a recruitment effort underway to identify and hire a permanent AGM for Infrastructure,

with the expectation that this process will be completed by the end of September 2002.

- Program Management Consultant: With the concurrence of the Board of Supervisors, the SFPUC has retained the Water Infrastructure Partners, led by Jacobs Engineering and Primus Inc., as its program management consultant following the departure of Bechtel from the San Francisco Water Alliance joint venture.
- Staffing and Hiring: The SFPUC has undertaken a concerted effort to identify and hire qualified candidates to fill positions critical to implementing the capital improvement program. The initial results of a widespread recruiting effort are encouraging and we expect to have the key positions filled within the next few months.
- Other Recommendations: The SFPUC concurs with most of the implementation-related recommendations from RW Beck and is committed to implementing them under the direction of the AGM for Infrastructure and with the support of other departments of the SFPUC.

As noted in the Budget Analyst's report, an independent Blue Ribbon Panel, at the request of the SFPUC's General Manager, reviewed the RW Beck evaluation. In addition to their conclusions about the excellent quality of RW Beck's review, the Panel provided a number of policy recommendations to the Commission. The SFPUC concurs with these recommendations and plans to implement them.

POTENTIAL IMPACT OF STATE LEGISLATION

The Budget Analyst's report notes the three bills under consideration by the California State Legislature that could impact San Francisco's control and operation of the Hetch Hetchy Water System. These bills are further described below:

- **SB 1870 (sponsored by State Senator Jackie Speier)**: This bill has been approved by the State Senate, is now pending in the Assembly, and the Governor has indicated his intention to sign it. Effective January 1, 2003, SB1870 would establish the San Francisco Bay Area Regional Water System Financing Authority to assist in financing construction of projects on the regional Hetch Hetchy system. Upon passage, it would be possible for the Authority to issue revenue bonds on behalf of the wholesale customers of the water system to finance regional projects. The Senate has approved this legislation, but passage by the Assembly is not expected until August. The Governor has indicated he will sign it.

  This could effectively reduce the proposed bond measure by approximately $2 billion. It would still be necessary, however, for San Francisco voters to approve bond financing for the San Francisco share of the cost of capital improvement projects on the regional system (approximately $900 million for the proposed CIP) and to fund projects related to the local distribution system (estimated at $715 million).
- **AB1823 (sponsored by Assemblyman Lou Papan)**: AB1823 would require the City to adopt a Capital Improvement Program and Emergency Response Plan by February 2003. The City would be required to complete nine specific regional water projects within a specific timeframe contained within the bill. The entire regional Capital Improvement Program would be subject to oversight by the State Department of Health Services (DHS), a role that heretofore they have not performed nor are equipped to perform within the state. The bill also further extends this DHS oversight on the operation and maintenance of the regional water system, including budgets and power operations. There are many other portions of the bill that the City has also found to be disagreeable. The City continues to oppose this bill

AB2058 (sponsored by Assemblyman Lou Papan): AB2058 creates the Bay Area Water Supply and Conservation Agency, which would have the ability to plan, finance, build, and operate facilities for collection, transmission, reclamation, reuse, and conservation. The Agency could also acquire water and water rights, develop and store water, and sell water.

If SB 1870 (Speier) were enacted, the San Francisco Bay Area Regional water System Financing Authority would be charged with issuing revenue bonds for the SFPUC's Regional Water Capital Improvement Program. In contrast, the Agency created by AB 2058 would be able to build various local water projects for the 29 wholesale customers who have agreed to participate in the authority, separate and distinct from the Hetch Hetchy system, AB 2058 would not impact the SFPUC's CIP.

R&R PROJECT FINANCING WITHOUT VOTER APPROVAL (CHARTER SECTION 9)

Under Charter Section 9.107, the SFPUC may, upon vote of three-quarters of the Board of Supervisors, issue revenue bonds "for the purpose of the reconstruction or replacement of existing water facilities" (R&R Bonds). As a result of the Proposition H rate freeze, rates could not be raised to fund debt service on bonds that do not have voter approval. Therefore, issuance of bonds under this provision of the Charter is restricted until after July 1, 2006, and could be further restricted by future voter action.

A portion of the projects for the local water system qualify for financing pursuant to this provision (an opinion of the City Attorney and Bond Counsel has been requested to further refine eligibility requirements). Therefore, it would be possible for the Board (upon the vote of three-quarters of the members) to approve the issuance of bonds for eligible projects beginning in four years. Voter approval would be necessary for non-R&R projects, or the bulk of regional facilities, local recycling projects, and selected other projects.

AVAILABLE OPTIONS IF BOND MEASURE FAILS

While there is evidence of strong public support for a bond measure intended to protect the water system, the following options are available if the proposed bond measure fails:

- Non-R&R projects would have to be delayed until voter approval is secured.
- Projects eligible for R&R status could be approved by three-quarters of the Board members for issuance after expiration of the Proposition H rate freeze. The CIP would have to be delayed until that time.
- Given the need to complete regional system capital projects, there is a risk that the State Legislature would adopt legislation removing SFPUC control of the regional water system, authorizing the issuance of revenue bonds by the Financing Authority, and requiring surcharges for San Francisco retail customers to cover their allocable share of debt service on bonds,

CIAC-RELATED QUESTIONS

The Budget Analyst's report notes certain questions raised by the Controller and the Mayor's Director of Public Finance at the June 28, 2002, meeting of the Capital Improvement Advisory Committee (CIAC). While the SFPUC is meeting with the Controller and Director on July 3, 2002, to further discuss their concerns, the SFPUC believes that its CIP and Long-Range Financial Plan provide the most reasonable method of estimating future costs and providing for uncertainty in inflation, interest rate and other assumptions. A discussion of the specific questions mentioned in the Budget Analyst's report is provided below:

- **SIZE OF PROPOSED BOND MEASURE**: The Commission has requested the Board place a $3.6 billion bond measure on the November ballot to finance water system

improvements. As noted elsewhere in this memorandum, the creation of a Regional Financing Authority by SB1870 would provide a new mechanism for financing the share of costs supported by our wholesale customers, and reduce the required bond authorization to approximately $1.6 billion. The SFPUC is reasonably certain that this legislation will be approved and is willing to consider a reduction in the proposed ballot measure authorization at this time.

The Controller and Finance Director have questioned whether the proposed bond authorization might be reduced by changes in various assumptions, including some discussed below. It is important to note that our Long-Range Financial Plan provides a conservative estimate of future costs based on the cost estimates for capital projects contained in the CIP. We recognize that actual results will vary based on a variety of factors, and that we cannot provide certainty that the estimates provided for this program will be achieved. Nevertheless, it is important to let our ratepayers know what kind of rate increases they can expect to fund this program. If the proposed projects are executed according to the CIP schedule, the current LRFP provides the best estimate of the amount of required bonds and rate impacts.

- **IMPACT OF PROPOSED LEGISLATION:** The potential impact of the proposed Speier Legislation (SB1870) on the amount of bonds required has been addressed elsewhere in this memorandum. Financing projects on behalf of the regional wholesale customers using this mechanism represents a significant change in approach. Currently, costs allocated to the wholesale customers based on the Master Water Sales Contract. In general, projects must be completed and placed into service before the wholesale customers begin paying. The City must finance projects prior to that time, although capitalized interest is assumed during construction so as not to burden City ratepayers.

  On the other hand, after projects are placed in rate base, the wholesale customers pay a rate of return (based on the City's embedded cost of capital) and straight-line depreciation. The City recovers its full cost over the life of an asset using this methodology. However, the initial combination of rate of return plus depreciation exceeds the City's incremental debt service attributable to the wholesale customer's two-thirds share of project costs. This "extra" revenue has been used to keep rates for City customers lower than they would be if all customers, retail and wholesale, paid a *pro rata* share of debt service at all times.

  Therefore, one impact of financing wholesale costs under SB1870 will be somewhat higher rate increase estimates for City customers in the future. The SFPUC believes that this impact can be offset somewhat by the use of capitalized interest to phase in debt service costs gradually.

  Note that the change in methodology would not result in a shifting of the long-term burden of costs between City and wholesale customers, as the wholesale customers pay their full share of costs under the Contract.

- **CONSERVATIVE ASSUMPTIONS — CONTINGENCY AND MANAGEMENT RESERVES:** The CIP is built on cost estimates for each of the 77 individual projects in 2003 dollars. These costs are escalated based on the length of construction for each project and a three percent annual inflation rate. There is an expected variance on each project cost estimate because the projects have not completed final design and engineering. The San Francisco Water Alliance reviewed each estimate and conducted a statistical analysis to determine what the variability of the cost estimate for the entire program of 77 projects would be. They recommended a total 16 percent contingency and reserves to provide a 75 percent confidence of delivering the entire program within the overall cost estimate. Therefore, the program contains $409 million of

contingency and reserves for this purpose. These provide a measure of protection against cost overruns on individual projects and unforeseen events or changes in regulations. Contingencies of this nature are recommended for capital projects and programs, and the SFPUC believes the level of such funds for this CIP is appropriate. This belief has been confirmed by the independent engineering firm, RW Beck, that reviewed the CIP and LRFP.

- **AMOUNT OF CAPITALIZED INTEREST:** The LRFP assumes that interest will be capitalized for two years at the bond interest rate (5.5 percent) for each capital project. Without capitalized interest, it would be necessary to raise rates earlier and in greater amounts than is shown in the LRFP. The Controller questioned whether the capitalized interest assumption is based on the fact that City ratepayers must "carry" the cost for wholesale customers while projects are under construction. Capitalized interest is necessary irrespective of this factor. Without it, rates would have to be increased more quickly. In addition, if the projects for the Suburban customers are financed through the Financing Authority, as expected, capitalized interest will be more necessary to protect City ratepayers against higher rate increases required as a result of the loss of the incremental subsidy provided by the wholesale customers under the Contract.

  The capitalized interest amounts are conservative in a different sense, however. It is assumed that interest will be capitalized at the bond rate. It is the SFPUC's expectation that we will use commercial paper or other short term instruments to fund a portion of construction costs. CP carries significantly lower interest rates. However, the SFPUC has chosen to assume the higher costs because it cannot be assured of access to the credit and liquidity markets for CP at all times. Nevertheless, to the extent CP is used, the SFPUC would need to issue fewer bonds than assumed by the LRFP. Note that RW Beck recommended the SFPUC capitalize interest for three rather than two years. The SFPUC believes that the use of CP mitigates against the need to increase the amount of capitalized interest assumed in the LRFP.

- **IMPACT OF PROPOSITION H OR SUBSEQUENT REFERENDA:** Proposition H effectively freezes rates at 1998 levels through fiscal year 2006. There remains the possibility of a similar measure taking effect in future years which would inhibit SFPUC's ability to raise rates to support bonds necessary to finance essential improvements to the system.

- **ALTERNATIVE SCENARIOS USING CHARTER SECTION 9.107 R&R BONDS WITHOUT VOTER APPROVAL:** There are some projects which, in our opinion, may be qualified as "reconstruction" projects and as such could be financed without voter approval pursuant to the Charter. (We have requested the City Attorney to formally define "reconstruction" projects as it relates to the Charter.) However, bonds can only be supported by an increase in rates, which cannot occur under the terms of Proposition H period.

FIRE DEPARTMENT AWSS SYSTEM

The Fire Department's Auxiliary Water Supply System (AWSS) is functionally independent of the SFPUC's water distribution system. The AWSS storage facilities – Twin Peaks Reservoir, Jones Street Tank and Ashbury Tank – are filled with potable water form the PUC system, however, once the water enters the AWSS system it is no longer potable. There are no other physical connections between the two systems.

The AWSS system was conceived following the 1906 earthquake and fire. The AWSS system is designed to withstand higher water pressures and ground movement than the SFPUC's potable water system. In addition to the system's storage facilities, the AWSS can be supplied with salt water by the Fire Department's two pump stations or by fire boats through manifolds on the water front.

The AWSS system does not cover the entire City. The system coverage is most dense in the area north of Mission Street and east of Van Ness Avenue. Where it is available, however, it is routinely used by the SFFD in lieu of, or as a complement to, the water supply available through the SFPUC's distribution system. The AWSS's larger diameter lines and higher pressures make it a more effective fire fighting tool.

The vast majority of the work proposed in the CIP is in the regional water system, local storage, and local transmission systems. Transmission lines convey water to and between storage facilities, and distribution lines convey water to customers. The Fire Department's low pressure hydrants are connected to the SFPUC's distribution lines.

In summary,, the proposed CIP, because of it emphasis on regional water supply and transmission, will not significantly effect, either positively or negatively, the performance or reliability of the Fire Department's AWSS. Nor will the CIP include improvements to the local water distribution system such that it would improve the reliability or performance of the AWSS.

If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

SFPUC
WATER
HETCH HETCHY WATER & POWER
CLEAN WATER

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 10, 2002

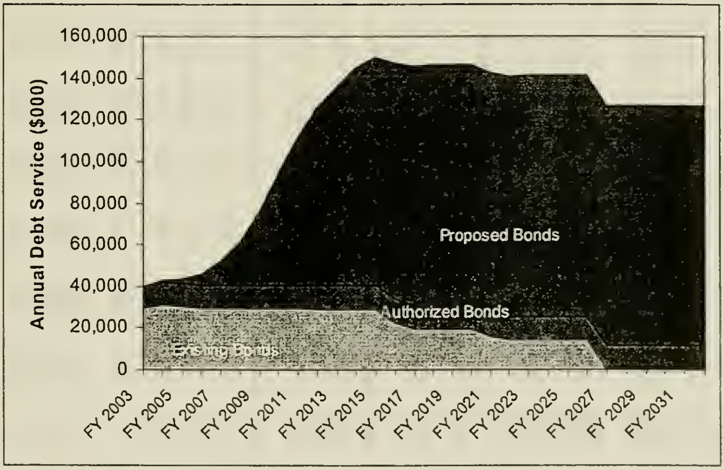
TO: Board of Supervisors' Budget Analyst — **cc:** Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: **Water Bond Measure (File 02-0910)**

The following illustrates the projected debt service relating to the Water Enterprise if the entire amount of $1.628 billion of proposed bonds are issued. Attached are the numerical data that supports this table.

Projected Water Debt Service



If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
Case 3 - FY 2003 Phase C Budget, Additional R&R, CIP Funded w/Additional Bonds & Rate Increases

Description	FY 2002 (estimate)	FY 2003 (budget)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Fund Balance--July 1	179,591,704	61,826,736	35,717,001	29,200,210	18,377,553	18,206,442	35,117,996	30,714,139	49,784,514	58,081,504	64,113,019	65,063,003	64,192,099	59,050,696
Revenue														
Retail Water Sales--existing rates	84,919,132	76,976,375	77,361,257	77,748,063	78,136,804	38,527,488	38,620,128	79,314,726	79,711,298	80,100,056	80,810,405	80,912,957	81,317,522	81,724,190
Retail Water Sales--rate increases			14,698,639	32,350,966	43,577,873	56,627,870	68,476,542	82,153,144	97,180,679	113,653,316	131,747,461	146,471,731	161,765,620	174,631,360
Wholesale Water Sales Revenue	37,036,000	37,776,000	38,528,000	76,299,000	84,416,026	85,455,100	87,505,639	88,003,172	81,746,195	83,944,741	96,100,966	98,466,056	100,846,233	103,245,732
Interest Income on Fund Balances	6,491,229	3,999,014	3,052,524	2,677,795	2,841,815	3,143,852	3,602,074	4,412,732	5,869,304	5,614,532	5,998,350	6,232,624	6,243,373	6,211,560
Other Miscellaneous Income	15,674,832	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,900	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Total Revenue	171,220,380	170,264,388	165,141,420	203,765,827	220,472,421	234,653,500	250,896,279	266,663,774	280,210,477	304,622,444	320,840,193	340,600,871	361,667,048	377,603,761
Operation and Maintenance Expenses														
Labor and Fringe Benefits	38,000,000	41,504,805	42,746,743	44,932,235	45,353,203	46,713,799	48,115,213	48,858,006	51,946,429	62,570,762	64,164,600	65,776,716	67,452,050	59,176,042
COWCAP	998,000	1,448,270	1,401,716	1,530,470	1,563,564	1,620,041	1,676,942	1,726,319	1,761,180	1,634,635	1,869,664	1,949,364	2,004,744	2,064,987
Non Personal Services	3,546,000	6,382,265	6,573,733	6,779,845	6,674,973	7,163,295	7,398,794	7,620,756	3,840,301	9,054,082	6,327,408	6,577,330	6,834,847	6,099,584
Materials and Supplies	5,620,000	6,655,009	6,236,656	6,483,766	6,736,272	6,600,420	9,279,433	9,549,540	9,835,002	19,120,052	(6,433,664	19,749,672	11,669,381	11,491,403
Equipment	2,500,000	2,443,435	2,510,738	2,592,249	2,679,007	2,760,106	2,833,611	2,917,569	3,005,117	3,065,276	3,160,126	3,263,772	3,382,265	3,463,754
Light, Heat, and Power	6,617,746	6,546,667	6,743,007	6,846,358	3,153,720	7,306,331	7,686,361	7,617,063	6,051,676	6,293,133	6,541,016	6,790,173	6,082,116	6,333,662
Services of SFPUC Bureaus	36,768,340	33,060,815	34,967,982	36,937,632	37,116,751	30,232,313	38,376,262	49,666,601	41,777,481	43,030,665	44,321,729	45,651,301	47,020,933	46,431,550
Services of Other Departments	7,660,835	7,542,571	7,766,848	6,001,614	6,241,671	6,466,230	6,743,907	6,969,224	6,270,411	6,654,703	6,841,344	19,136,565	16,446,682	19,753,903
Hetch Hetchy Assessment	16,037,000	16,037,000	16,606,119	20,196,353	20,803,244	21,426,311	22,069,101	22,731,174	23,413,160	24,115,502	24,838,007	25,584,136	26,351,600	27,143,219
Incremental O&M--CIP	-	-	-	-	-	1,634,620	2,330,141	4,997,109	16,639,736	12,220,005	12,597,565	12,676,513	13,364,776	13,705,731
Budget Close Outs	-	(1,058,617)	(1,116,685)	(1,144,005)	(1,176,326)	(1,213,675)	(1,250,986)	(1,287,560)	(1,326,216)	(1,366,002)	(1,400,963)	(1,449,192)	(1,492,606)	(1,537,446)
Total Operation and Maintenance Expense	122,179,833	123,869,020	129,565,614	133,452,863	137,456,476	143,504,793	148,157,719	155,196,514	165,646,205	171,580,397	176,737,600	162,020,643	167,460,532	183,115,246
Net Revenue	48,046,468	46,384,569	55,575,506	30,313,035	83,915,942	61,146,767	101,630,560	111,784,250	119,579,272	133,242,047	149,217,383	184,666,930	174,300,510	184,307,803
Debt Service														
Debt Service--Existing Bonds	28,664,434	29,301,683	30,800,813	30,075,750	29,380,420	29,300,149	29,399,256	20,385,363	29,356,200	29,322,050	20,207,500	29,203,667	29,267,000	28,308,787
Debt Service--Authorized Bonds	-	16,152,042	11,254,084	11,284,084	11,284,084	11,284,054	11,204,684	11,264,084	11,254,004	11,254,084	11,364,064	11,264,964	11,294,984	11,204,984
Debt Service--Proposed Bonds	-	-	448,183	1,031,754	6,213,264	11,459,727	21,115,375	35,793,842	93,441,400	71,074,241	65,123,282	95,452,650	184,064,572	196,565,656
Capitalized Interest Fund Cash Flow--Proposed Bo	-	-	(418,417)	(1,784,912)	(4,307,938)	(6,337,202)	(13,637,332)	(20,165,600)	(26,144,016)	(27,005,500)	(21,920,5051	(14,666,972)	(11,296,965)	(6,601,234)
Reserve Fund Cash Flow--Proposed Bonds	-	-	(31,730)	(139,792)	(350,946)	(772,161)	(1,361,749)	(2,319,509)	(3,354,253)	(4,366,713)	(5,084,805)	(5,503,307)	(6,618,632)	(6,178,583)
Net Debt Service	28,664,434	38,513,704	42,964,600	41,359,542	41,209,700	43,039,573	40,609,649	53,936,933	84,553,012	69,295,863	98,739,100	115,649,106	127,433,749	135,149,862
Net Revenue After Debt Service	20,376,032	6,676,865	13,400,906	26,953,093	41,606,152	46,116,134	55,068,930	57,647,337	59,917,260	62,936,184	50,476,107	46,926,760	46,772,767	49,237,531
Revenue Funded Capital Projects														
Repair & Replacement Projects	144,031,000	23,060,000	20,009,000	20,000,000	20,000,000	20,000,000	20,600,000	20,000,000	20,000,000	20,600,600	20,000,000	20,000,000	20,000,000	20,000,000
Additional Repair & Replacement Projects		-	-	19,703,750	20,977,203	22,206,509	23,472,776	24,778,001	20,120,379	27,503,676	28,926,994	39,300,064	31,906,770	33,400,633
Total Revenue Funded Capital Projects	144,031,000	23,000,600	20,000,000	39,703,760	40,977,383	42,206,580	43,472,776	44,779,961	40,120,276	47,503,676	48,938,994	50,396,864	61,006,770	63,466,033
Ending Fund Balance--June 30	61,026,736	35,717,001	29,200,210	18,377,553	19,206,443	35,117,996	30,714,139	49,704,514	58,081,504	64,113,016	65,063,003	64,192,000	59,050,698	64,626,383
Financial Performance Measurements														
Debt Service Coverage--Revenue Bonds--Indenture	7 630	2 468	2 160	2 406	2 460	2.505	2 711	2 753	2 923	2 300	2 101	1 001	1 071	1 801
Debt Service Coverage--Revenue Bonds--Current I	1 711	1 174	1 331	1 700	2 014	2 110	2 176	2 672	1 652	1 059	1 511	1 423	1 307	1 364
O&M Reserve--Beginning Fund Balance/O&M Budg	1 437	9 419	9 279	9 219	0.134	0.130	9 172	0 244	6 322	9 368	0 391	0 386	9.300	9 326

REVENUE ASSUMPTIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual Rate Adjustments from Solutions Sheet														
Convert to Annual % Increase (Directly Used)			16 00%	19 00%	10 00%	10 00%	9 90%	9 80%	9 00%	9 00%	8 00%	6 00%	5 00%	5 00%
Calculate Cumulative % Increase (Directly Used)			16 00%	41 01%	55 77%	71.35%	00 77%	193 58%	121 00%	141.67%	163 94%	164.73%	190 97%	213 62%
Average Monthly Retail Water Bill	$ 13 .9	$ 14 47	$ 13.19	$ 20 43	$ 32 46	$ 24 71	$ 26 93	$ 29.35	$ 32 00	$ 34 00	$ 36.91	$ 41 06	$ 43 11	$ 45 26
Compounded Annual Growth Rate in Avg Bill		8 00%	13 09%	15 43%	14.05%	13 22%	12 61%	12 99%	11.93%	11.33%	11.09%	19 61%	16 31%	9 69%
Projected Suburban Water Sales (Ccf)	86,101,000	87,043,000	87,913,000	86,792,000	69,000,000	00,077,000	91,463,000	92,396,900	93,322,000	64,356,009	95,190,000	96,150,000	97,112,000	90,083,000
Annual Percentage Increase			-1 61%	0 00%	5 63%	9 27%	1.46%	1 46%	1 45%	1.45%	1.45%	1 44%	1 44%	1 44%
Cumulative Percentage Increase			-1.95%	-1.95%	3 71%	3 99%	6 54%	7.11%	9 70%	19.31%	11 94%	13 59%	15 20%	16 94%
Unit Cost Net of Service Charge ($/Ccf)	$ 9 63	$ 0 49	$ 9 66	$ 9 66	$ 9 91	$ 0 91	$ 6 93	$ 6 94	$ 0 95	$ 0 97	$ 9 98	$ 1.00	$ 1 91	$ 1 63
Compounded Annual Growth Rate in Unit Cost		6 06%	-0 00%	-0 54%	9 69%	6 77%	9 66%	9 96%	1 63%	1 97%	1 11%	1,14%	1,16%	1,10%

SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
Case 3 - FY 2003 Phase C Budget, Additional R&R, CIP Funded w/Additional Bonds & Rate Increases

Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Beginning Fund Balance—July 1	54,828,362	56,020,828	62,434,592	61,971,510	56,772,567	56,759,847	59,942,840	70,507,741	76,916,075	76,599,102	66,116,090	62,746,315	109,730,201	115,614,401	110,915,534	119,143,704	106,772,149
Revenue																	
Retail Water Sales—existing rates	62,132,730	62,543,394	62,956,111	63,270,591	63,767,746	64,206,684	64,627,718	65,080,856	65,476,111	65,003,401	66,333,009	66,764,674	67,198,497	67,634,400	68,072,062	68,513,020	68,950,590
Retail Water Sales—rate increases	188,008,565	185,023,056	195,006,204	196,676,195	209,232,119	210,279,284	223,169,017	224,264,662	220,406,256	239,030,790	240,220,944	241,427,074	242,634,209	243,847,360	245,060,617	246,201,950	247,523,410
Wholesale Water Sales Revenue	106,700,020	108,224,627	110,001,062	112,436,699	116,132,736	116,093,010	121,710,163	124,004,789	127,000,274	130,684,304	132,670,400	136,044,393	140,063,793	143,395,292	146,769,001	150,200,316	153,611,314
Interest Income on Fund Balances	6,218,216	6,017,004	6,772,748	6,692,525	6,700,941	6,907,164	7,344,503	7,766,769	7,993,026	8,427,313	8,700,062	9,253,114	9,609,977	10,132,896	10,199,794	9,989,087	9,476,620
Other Miscellaneous Income	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	11,000,000	11,500,000	11,500,000	11,000,000	11,500,000	11,000,000	11,500,000	11,500,000
Total Revenue	381,667,300	403,909,363	406,028,125	411,978,810	427,440,543	421,766,133	440,307,420	453,207,236	457,938,600	470,445,696	460,527,964	485,709,254	491,226,478	496,612,656	501,629,034	506,854,376	511,260,934
Operation and Maintenance Expenses																	
Labor and Fringe Benefits	60,950,612	62,770,439	64,562,822	66,002,707	68,000,768	70,656,612	72,778,876	74,001,933	77,210,791	79,827,110	81,912,929	84,370,316	86,001,426	89,006,469	92,192,722	94,959,034	97,006,320
COWCAP	2,126,833	2,160,638	2,256,257	2,324,048	2,393,770	2,405,663	2,539,056	2,615,737	2,684,209	2,775,030	2,850,286	2,944,035	3,032,306	3,123,326	3,217,026	3,312,037	3,412,843
Non-Personal Services	9,372,571	9,653,748	9,943,361	10,241,602	10,648,912	10,605,279	11,191,240	11,627,061	11,672,693	12,229,060	12,606,952	12,972,631	13,363,040	13,763,937	14,176,655	14,602,101	15,040,226
Materials and Supplies	11,743,507	12,095,812	12,458,686	12,832,447	13,217,420	13,613,942	14,022,361	14,443,032	14,676,323	10,322,613	15,762,291	16,205,700	16,743,432	17,245,726	17,763,107	18,296,001	18,844,081
Equipment	3,588,207	3,695,815	3,800,792	3,920,900	4,030,626	4,109,765	4,264,570	4,413,110	4,545,509	4,681,674	4,822,330	4,967,000	5,116,010	5,269,491	5,427,575	5,590,403	5,758,115
Light, Heat, and Power	8,614,001	9,002,421	10,100,484	10,005,479	10,620,642	11,140,262	11,479,620	11,624,000	12,178,729	12,544,091	12,920,414	13,305,026	13,707,267	14,110,485	14,542,039	14,976,301	15,427,650
Services of SFPUC Bureaus	48,804,497	51,361,032	52,922,462	54,510,137	56,145,441	57,829,864	59,564,696	61,201,639	63,192,186	65,067,984	67,040,092	69,001,610	71,123,368	73,257,065	75,454,777	77,716,421	80,049,973
Services of Other Departments	11,070,520	11,406,615	11,751,050	12,103,612	12,466,721	12,840,722	13,225,944	13,922,722	14,031,404	14,452,346	14,886,916	15,332,404	15,792,469	16,266,243	16,754,230	17,256,857	17,774,563
Hetch Hetchy Assessment	27,858,476	28,795,171	29,659,026	20,540,706	31,405,200	22,409,218	23,381,495	34,382,840	35,414,426	36,476,601	37,071,160	36,690,301	39,059,256	41,085,026	42,280,679	43,555,279	44,861,030
Incremental O&M—CIP	14,178,603	14,604,054	15,042,175	15,493,441	15,958,244	16,430,991	16,930,101	17,436,004	17,961,144	18,499,978	19,084,976	19,626,627	20,215,420	20,821,889	21,440,545	22,069,942	22,752,640
Budget Close Outs	(1,583,571)	(1,631,078)	(1,680,011)	(1,736,411)	(1,782,223)	(1,635,793)	(1,690,607)	(1,947,593)	(2,000,020)	(2,060,201)	(2,120,167)	(2,192,033)	(2,207,794)	(2,225,620)	(2,395,293)	(2,467,152)	(2,541,167)
Total Operation and Maintenance Expense	188,906,706	204,876,007	211,022,246	217,252,912	223,872,501	230,569,706	237,507,397	244,632,016	251,971,597	259,530,745	257,216,608	270,336,106	283,000,253	292,101,140	300,607,205	309,892,262	319,100,001
Net Revenue	192,758,854	199,033,336	197,005,679	194,625,597	203,572,042	201,196,427	210,850,023	200,074,617	205,964,099	215,915,163	213,211,326	210,453,007	207,630,224	204,406,710	200,761,709	190,001,098	192,070,084
Debt Service																	
Debt Service—Existing Bonds	22,567,533	18,353,917	19,478,167	19,411,007	18,266,632	18,936,823	14,233,063	14,289,750	14,200,563	14,309,000	14,234,250	-	-	-	-	-	-
Debt Service—Authorized Bonds	11,284,084	11,284,064	11,284,054	11,204,084	11,204,004	11,264,064	11,284,004	11,204,084	11,264,064	11,284,064	11,264,064	11,204,084	11,254,064	11,264,064	11,264,064	11,264,004	11,204,064
Debt Service—Proposed Bonds	113,016,343	114,632,899	116,134,419	115,292,268	118,202,350	115,292,356	115,292,356	118,202,358	118,202,350	115,262,358	115,292,358	115,292,356	118,202,350	115,292,358	115,292,356	115,202,350	115,292,358
Capitalized Interest Fund Cash Flow - Proposed Bo	(5,066,563)	(2,132,061)	(510,402)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Fund Cash Flow—Proposed Bonds	(6,302,181)	(6,341,000)	(6,341,050)	(6,341,080)	(6,341,080)	(6,341,000)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)	(6,341,080)
Net Debt Service	125,596,185	136,787,456	138,045,154	139,647,028	139,004,195	138,172,195	134,468,445	134,495,112	134,621,945	134,844,362	124,509,612	120,235,362	120,235,362	120,235,362	120,230,302	120,235,302	120,230,302
Net Revenue After Debt Service	67,162,458	62,235,000	57,960,005	64,978,068	63,007,847	65,024,222	76,381,070	74,078,505	71,442,103	81,370,781	78,641,715	90,217,720	87,384,603	84,172,356	80,826,407	76,425,734	71,841,402
Revenue Funded Capital Projects																	
Repair & Replacement Projects	20,000,000	20,000,000	20,090,000	20,090,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,090,000
Additional Repair & Replacement Projects	35,070,014	36,722,115	38,423,776	40,170,491	41,961,760	43,841,240	45,756,477	47,729,171	49,761,040	51,853,676	54,009,464	56,229,779	58,616,672	60,672,173	63,208,336	65,707,208	60,371,206
Total Revenue Funded Capital Projects	55,070,014	56,722,115	58,423,776	60,176,481	61,961,760	63,841,240	65,756,477	67,729,171	69,761,040	71,853,676	74,009,464	76,229,779	78,616,672	80,672,172	83,290,230	85,797,208	80,371,206
Ending Fund Balance—June 30	56,020,828	62,434,593	61,971,510	56,773,567	56,759,847	59,942,840	70,507,741	70,916,070	76,509,102	66,116,095	92,748,310	106,736,261	110,614,451	116,915,034	116,143,704	100,772,149	90,242,430
Financial Performance Measurements																	
Debt Service Coverage—Revenue Bonds—Indenture	1.826	1.871	1.868	1.837	1.905	1.909	2.014	2.070	2.103	2.109	2.239	2.822	2.810	2.862	2.659	2.602	2.406
Debt Service Coverage—Revenue Bonds—Current 1	1.422	1.455	1.417	1.384	1.450	1.478	1.506	1.551	1.531	1.605	1.504	1.750	1.727	1.700	1.670	1.630	1.596
O&M Reserve—Beginning Fund Balance/O&M Budg	0.297	0.299	0.319	0.297	0.273	0.274	0.272	0.311	0.329	0.326	0.255	0.363	0.405	0.426	0.426	0.404	0.300

REVENUE ASSUMPTIONS	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Annual Rate Adjustments from Solutions Sheet																	
Convert to Annual % Increase (Directly Used)	4.00%	2.00%	9.00%	9.00%	4.00%	0.00%	4.00%	9.00%	0.00%	4.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Calculate Cumulative % Increase (Directly Used)	228.47%	236.27%	238.27%	236.27%	240.72%	249.72%	263.71%	262.71%	262.71%	370.20%	378.26%	278.20%	278.20%	276.20%	276.20%	276.20%	270.26%
Average Monthly Retail Water Bill	$47.07	$48.48	$48.48	$48.48	$50.43	$50.43	$52.44	$52.44	$52.44	$54.54	$54.54	$54.54	$54.54	$54.54	$54.54	$54.54	$54.54
Compounded Annual Growth Rate in Avg. Bill	6.48%	6.02%	6.43%	7.92%	7.70%	7.26%	7.11%	6.70%	6.44%	6.34%	9.06%	6.81%	6.08%	6.27%	5.16%	4.99%	4.62%
Projected Suburban Water Sales (Ccf)	99,064,000	100,055,000	101,056,000	102,067,000	103,088,000	104,119,000	105,160,000	106,212,000	107,274,000	108,347,000	109,420,000	110,524,000	111,620,000	112,745,000	113,872,000	115,011,000	116,150,000
Annual Percentage Increase	1.43%	1.43%	1.43%	1.42%	1.42%	1.42%	1.41%	1.41%	1.41%	1.41%	1.40%	1.40%	1.40%	1.40%	1.40%	1.39%	1.40%
Cumulative Percentage Increase	18.85%	20.36%	22.13%	23.90%	25.68%	27.50%	29.34%	31.20%	33.06%	34.99%	36.91%	38.87%	40.54%	42.84%	44.67%	46.92%	49.01%
Unit Cost Net of Service Charge ($/Ccf)	$1.04	$1.06	$1.07	$1.09	$1.10	$1.12	$1.13	$1.15	$1.16	$1.18	$1.20	$1.21	$1.23	$1.25	$1.27	$1.28	$1.30
Compounded Annual Growth Rate in Unit Cost	1.20%	1.22%	1.23%	1.24%	1.25%	1.26%	1.27%	1.28%	1.29%	1.29%	1.29%	1.30%	1.30%	1.30%	1.31%	1.31%	1.31%

San Francisco Public Utilities Commission

MEMORANDUM

DATE: July 3, 2002

TO: Board of Supervisors' Budget Analyst

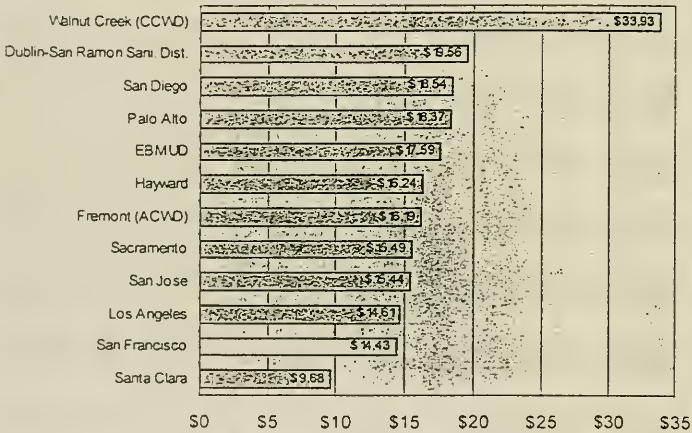
cc: Patricia E. Martel, GM, SFPUC

FROM: Bill Berry, Assistant General Manager for Finance & Administration, SFPUC

SUBJECT: Water Bond Measure (File 02-0910)

The following table compares the current monthly water bills of San Francisco to other California water utilities.

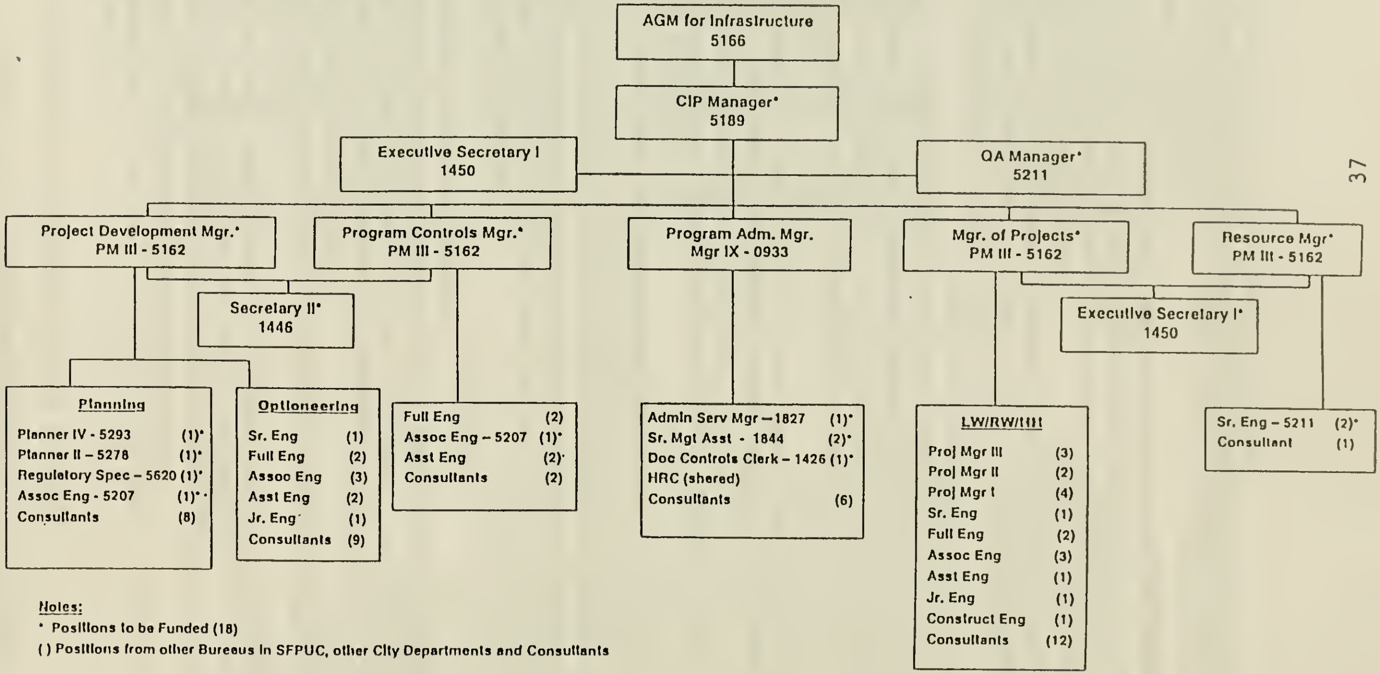
Comparison of Monthly Water Bills*



*Comparisons among utility rates are difficult, as some systems are subsidized by other tax receipts.

If you have any questions or desire additional information, please email me at wberry@puc.sf.ca.us or call me at (415) 554-2457.

PROPOSED CIP STAFFING PLAN
July 1, 2002 – June 30, 2003



Notes:

* Positions to be Funded (18)

( ) Positions from other Bureaus in SFPUC, other City Departments and Consultants

FISCAL YEAR 2002/2003 CIP PROGRAM OBJECTIVES

The CIP will achieve the following objectives in Fiscal Year 02/03:

Program Planning:

- **Complete Phase I of the Facilities Implementation Plan** – model various alternative designs to determine constructability and related costs
- **Initiate CIP Environmental Review Process** – begin programmatic and project level EIR documentation to facilitate timely project implementation
- **Establish Prioritization Procedures** – implement annually to reflect current needs and changes in scope
- **Identify and Prioritize Critical CIP Projects** – facilitate the most critical projects moving ahead on a critical timeline
- **Develop Project Specific Request for Proposals (RFPs) for years 1 & 2** – procure specialty planning, design and construction management professional services
- **Establish CIP Performance Measurements** – measure program performance based upon budget, schedule, and operability

Develop Internal Procedures:

- **Create an Enterprise Work Breakdown Structure (WBS)** – Program Manager will control project scope, schedule, and budget through Project Controls using a WBS to capture and report project information, and provide current information to stakeholders
- **Develop Procedures for Updating the Annual CIP Budget** – develop process to provide current budget and schedule information to the SFPUC, the Board of Supervisors and the Stakeholders
- **Develop Change Order Control/Approval Process** – manage contracts and track budget more effectively on a real time basis
- **Develop Construction Management Procedures** – standardize documentation and control practices for project managers to more effectively manage projects during construction
- **Review Skills Inventory and Develop Staff Training Plan** – based upon the assessment of skills and CIP requirements, utilize staff from SFPUC, DPW, and other City Departments in the fields of engineering, project controls, project management and construction management, and provide training as appropriate

Develop and Implement Information Systems:

- **Select Project Control System** – track scope of work, budget expenditures, schedules and resource needs to provide a comprehensive, accurate, and timely program report to accommodate an enlarged database
- **Procure Project Control System** – acquire software license agreement and training
- **Develop Project Control System Implementation Plan** – develop a phased installation plan, to be implemented by the CIP staff, beginning with a pilot project to test and refine the Project Control System
- **Procure Electronic Timecard System** – this new system will replace the daily, manual timecards of engineering staff, by tracking project phases and engineering disciplines, to ensure more detailed, and timely reporting of labor costs

San Francisco Public Utilities Commission - Capital Improvement Program
Local Water Projects

($000's)

Project Title	Start Project	Construction Start	In Service Date	SFPUC Proposal Cost 2003 $
Non-R&R Projects				
Lincoln Way Transmission Line	2003	2005	2007	$11,175
Groundwater Projects	2003	2005	2007	13,706
Recycled Water	2003	2007	2010	102,735
Cross Town Transmission Main	2005	2007	2009	17,415
Sunset Circulation Improvements	2005	2007	2009	6,771
Fire Protection at CDD	2006	2008	2008	1,713
Key Motorized and Other Critical Valves	2006	2008	2009	11,945
Noe Valley Transmission Main Ph2	2006	2009	2010	8,736
SEWPCP - Water reclamation	2008	2010	2011	7,194
New Northwest Reservoir	2008	2010	2011	29,594
Lake Merced Pump Station Essential Upgrade	2009	2012	2014	59,144
Total Non-R&R Projects				$270,128
R&R Projects with Construction Starting Before 10/2006				
Pump Station Upgrades (Summit)	2003	2005	2006	$4,914
Pump Station Upgrades (Crocker Amazon)	2003	2005	2006	2,829
Pump Station Upgrades (Lincoln Park)	2003	2005	2007	1,942
Res Rehab and Seismic Upgrade Summit	2003	2005	2007	16,190
Tank Rehab and Seismic Upgrade Lincoln Park	2003	2005	2007	1,698
Tank Rehab and Seismic Upgrade Le-Grande	2003	2004	2005	2,071
Total R&R Projects with Construction Starting Before 10/2006				$29,644
R&R Projects w/ Construction Starting After 10/2006				
Pump Station Upgrades (Palo Alto)	2004	2007	2008	$1,857
Pump Station Upgrades (Sky View - Aqua Vista))	2004	2007	2008	1,373
Pump Station Upgrades (Forest Knolls)	2004	2007	2008	2,466
Res Rehab and Seismls Upgrade Potrero H	2004	2006	2007	9,584
Tank Rehab and Seismic Upgrade Portero Heights	2004	2006	2007	2,049
Pump Station Upgrades (Mount Davidson)	2005	2008	2009	1,618
Tank Rehab and Seismic Upgrade Forest Knolls	2005	2006	2008	1,810
Vehicle Service & Facility Upgrade	2006	2008	2009	4,177
North University Mound System Upgrade	2006	2008	2010	18,351
Pump Station Upgrades (McLaren Park)	2006	2009	2010	5,038
Pump Station Upgrades (Potrero Heights)	2006	2008	2009	1,764
Pump Station Upgrades (Forest Hill)	2006	2008	2009	1,529
Tank Rehab and Seismic Upgrade Mount Davidson	2006	2008	2009	1,705
Tank Rehab and Seismic Upgrade Forest Hill	2006	2008	2009	2,270
Tank Rehab and Seismic Upgrade Hunters Point	2006	2007	2009	3,459
Res Rehab and Seismic Upgrade Hunters Point	2006	2008	2009	5,832
Reservoir Rehabilitation Stanford Heights	2006	2007	2009	9,519
Total R&R Projects w/ Construction Starting After 10/2006				$74,401
R&R Projects Starting After 10/2006				
Pump Station Upgrades (LeGrande)	2006	2009	2010	$2,332
Pump Station Upgrades (Vista Francisco)	2006	2009	2010	1,611
Tank Rehab and Seismic Upgrade McLaren #1	2006	2009	2010	6,899
Tank Rehab and Seismic Upgrade McLaren #2	2006	2009	2010	6,854
Fulton @ 6th Ave 30" Main Replacement	2007	2009	2011	3,578
Res Rehab and Seismic Upgrade Sutro	2009	2010	2012	22,407
Total R&R Projects Starting After 10/2006				$43,681
Total 2003 $ Project Costs				$417,854
Total Escalated Project Costs				$503,668
Total Bond Size (including contingency and financing costs)				$714,938

San Francisco Public Utilities Commission - Capital Improvement Program
Local Share of Regional Water Projects

($000's)

Project Title	Start Project	Construction Start	In Service Date	SFPUC Proposal Cost 2003 $
Non-R&R Projects				
Alameda Creek Fishery Enhancement	2003	2004	2007	$2,110
Calaveras Dam Replacement	2003	2006	2009	47,025
Crystal Springs Bypass Tunnel	2003	2007	2009	15,513
Irvington Tunnel Alternatives	2003	2006	2009	45,122
Pipeline Repair Plan & Readiness Imp	2003	2003	2004	1,056
Enlarge Sunol Treatment Capacity to 240 mgd	2004	2007	2009	25,699
SJPL No4 New	2004	2009	2011	122,698
Hetch Hetchy Advanced Disinfection - UV	2006	2010	2011	15,877
Bay Division Pipeline - Hydraulic Capacity Upgrade	2006	2010	2013	78,052
BDPL Nos 3 & 4 Cross Connections	2006	2009	2010	3,440
Lawrence Livermore Filtration	2008	2010	2011	565
Standby Power Facilities,Various Locations	2010	2012	2013	1,724
Installation of SCADA System (Phase II)	2010	2013	2014	9,002
San Andreas #3 P/L Installation	2010	2013	2014	7,940
Sunol Quarry Reservoirs	2011	2013	2014	2,790
Water System Automation (Hetch Hetchy)	2012	2014	2015	406
Total Non-R&R Projects				$379,018
R&R Projects with Construction Starting Before 10/2006				
SVWTP - New Treated Water Reservoir	2003	2006	2007	$14,728
San Antonio Pump Station / Emergency Power	2003	2005	2005	1,155
Tesla Portal Disinfection Facility	2004	2006	2008	3,296
HTWTP Short Term Improvements - Phase A	2004	2006	2007	939
Total R&R Projects with Construction Starting Before 10/2006				$20,119
R&R Projects with Construction Starting After 10/2006				
Seismic Upgrade Of BDPL's @Hayward Fault	2006	2009	2010	$13,168
Adit Leak Repairs(Crystal Springs / Calaveras Res)	2006	2007	2007	688
Crystal Springs PS and CS-SA PL Capacity	2006	2009	2011	18,236
Total R&R Projects with Construction Starting After 10/2006				$32,092
R&R Projects Starting After 10/2006				
BDPL #1 & #2 Repair of Caisson & Pipe Bridge	2007	2011	2013	$5,928
U.Mound Rsvr - Seismic Upgrade/Rehab (North Basin)	2007	2010	2011	20,225
HTWTP Short Term Improvements Phase B	2008	2011	2012	3,159
Lower Crystal Springs Dam Improvements	2009	2012	2014	5,295
Sunset Rsvr - Seismic Upgrade/Rehab (North Basin)	2009	2012	2014	14,062
HTWTP Long-Term Improvements	2011	2014	2016	11,722
Cross Connection Controls	2012	2014	2015	1,221
Early Intake Res-Resurface Dam (Hetch Hetcty)	2012	2014	2015	397
Early Intake Res-Spillway +Adj. Weir(Hetch Hetchy)	2012	2014	2015	510
Pulgas Reservoir Rehabilitation	2012	2015	2016	4,946
Capuchino Valve Lot capacity Improvements	2012	2015	2016	521
Mountain Tunnel Lining (Hetch Hetchy)	2012	2014	2015	770
Crystal Springs 2 PL Replacement (In City)	2012	2013	2015	18,496
Foothill Tunnel Repairs (Hetch Hetchy)	2012	2014	2015	957
Total R&R Projects Starting After 10/2006				$88,208
Total 2003 $ Project Costs				$519,437
Total Escalated Project Costs				$643,336
Total Bond Size (including contigency and financing costs)				$913,154

City and County of San Francisco

Meeting Agenda

Finance Committee

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Wednesday, July 31, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. 021141 **[Agreement for Stadium Advertising and Naming Rights]**
Supervisor Maxwell
Ordinance approving and authorizing an agreement with the San Francisco Forty Niners, Ltd., for stadium advertising and naming rights and for the performance of certain capital repairs at the stadium located at Candlestick Point.

6/24/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the July 17, 2002 Finance Committee meeting.

2. 021292 **[Business Tax]**

Supervisor McGoldrick

Motion submitting the San Francisco Business Tax Reform Ordinance 2002 to the qualified electors of the City and County of San Francisco, at the November 5, 2002 general municipal election.

7/17/02, PREPARED IN COMMITTEE AS A MOTION. Continued to 7/24/02.

7/17/02, CONTINUED.

7/17/02, RECEIVED AND ASSIGNED to Finance Committee.

7/24/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Supervisor McGoldrick; Supervisor Peskin; Ed Harrington, Controller; Supervisor Daly, Supervisor Hall; Steven Cornell, President, Small Busienss Commission; Margaret Brodkin, Coleman Advocates for Children; Jim Mathias, S. F. Chamber of Commerce; Julie Van Nostern, Deputy City Attorney; Amy Laitinen, SEIU; John Cope, Hotel Council of S. F.; Todd Robinette, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Scott Hauge, Small Business Advocates; Clifford Waldeck; Howard Wallace, Local 250; Garret Jenkins; Marjie O'Drisscal; Rebecca Vilkomerson, People's Budget; John Crapo, Director, S. F. Center for Economic Development; Jim Fabris, S. F. Association of Realtors; Dorji Roberts, Deputy City Attorney; Rolph Muller; Lane Andersson, Boston Properties; Larry Volentine; Michael Freeman, McCarthy Cook & Company; Patricia Bresslin, Golden Gate Restrauant Association; Ken Cleveland, Building Owners & Managers Association; Chris Boman; Roger Bazeley, Theodore Brown.
Amendment of the Whole; Supervisor Daly withdrew his sponsorship; Supervisor McGoldrick add as sponsor.

7/24/02, CONTINUED AS AMENDED. Continued to July 31, 2002.

3. 021294 [Business Tax]

Supervisor McGoldrick

Ordinance amending the Business and Tax Regulations Code to: (1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax on persons engaging in business in San Francisco as a lessor of real estate; (2) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) reduce businesses' taxable payroll expense by the amount of payroll expense attributable to their San Francisco business activities taxed under Article 12-A-1 (Gross Receipts Tax Ordinance), (ii) conform Article 12-A (Payroll Expense Tax Ordinance) with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 6 (Common Administrative Provisions), (iii) repeal the $500 surplus business tax revenue credit set forth in Section 906E, and (iv) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulations Code, and place them in Article 6 (Common Administrative Provisions); (3) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); (4) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12-A-1 (Gross Receipts Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review; and (5) amend Section 501 of Article 7 to clarify the definition of "Permanent Residents" exempt from the tax on the transient occupancy of hotel rooms.

7/17/02, RECEIVED AND ASSIGNED to Finance Committee.

7/17/02, PREPARED IN COMMITTEE AS AN ORDINANCE. Continued to 7/24/02.

7/17/02, CONTINUED.

7/24/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Supervisor McGoldrick; Supervisor Peskin; Ed Harrington, Controller; Supervisor Daly, Supervisor Hall; Steven Cornell, President, Small Busienss Commission; Margaret Brodkin, Coleman Advocates for Children; Jim Mathias, S. F. Chamber of Commerce; Julie Van Nostern, Deputy City Attorney; Amy Laitinen, SEIU; John Cope, Hotel Council of S. F.; Todd Robinette, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Scott Hauge, Small Business Advocates; Clifford Waldeck; Howard Wallace, Local 250; Garret Jenkins; Marjie O'Drisscal; Rebecca Vilkomerson, People's Budget; John Crapo, Director, S. F. Center for Economic Development; Jim Fabris, S. F. Association of Realtors; Dorji Roberts, Deputy City Attorney; Rolph Muller; Lane Andersson, Boston Properties; Larry Volentine; Michael Freeman, McCarthy Cook & Company; Patricia Bresslin, Golden Gate Restrauant Association; Ken Cleveland, Building Owners & Managers Association; Chris Boman; Roger Bazeley, Theodore Brown.

Amendment of the Whole, Supervisor Daly withdrew his sponsorship; Supervisor McGoldrick added as sponsor.

7/24/02, CONTINUED AS AMENDED. Continued to July 31, 2002.

4. **011178** **[Motor Vehicle for Hire Permit Filing Fees and License Fees]**

Ordinance amending Sections 2.26.1 and 2.27.1 of the Police Code to amend schedules for motor vehicle for hire permit filing fees and license fees. (Taxi Commission)

8/2/01, RECEIVED AND ASSIGNED to Finance Committee.

5/1/02, CONTINUED. Speakers: None.
Continued to 5/8/02.

5/8/02, RECOMMENDED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Theodore Lakey, Deputy City Attorney; Naomi Little, Executive Director, Taxicab Commission.

5/8/02, REFERRED. Transferred to Budget Committee.

6/25/02, MEETING RECESSED. Heard in Committee. Speakers: Bruce Oka; Jim Kennedy; Mark Newburg; Ann; Manuel; Joseph Fleischman; Howard Green; Paul Gillesppi; Jim Nakamora; Naomi Little, Taxicab Commission; Supervisor Ammiano; Supervisor McGoldrick; Supervisor Yee.
Recessed 1o meeting of June 27, 2002.

6/27/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Naomi Little, Executive Director, Taxicab Commission; Ruach Graffis; Charles; Jim Nakamora; John Bardis; Supervisor Ammiano.
Amendment of the Whole further increasing fees. To Be transferred to Finance Committee to be heard on July 17, 2002.

6/27/02, CONTINUED TO CALL OF THE CHAIR AS AMENDED.

7/1/02, TRANSFERRED to Finance Committee.

7/17/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Harvey Rose, Budget Analyst: Naomi Little, Executive Director, Taxicab Commission; Mark Gruberg, United Taxicab Workers; Ruach Graffis, United Taxicab Workers; Richard Ow; Joseph Fleischman, Communications Director, PDA; Walter Derby; Male Speaker; James Kennedy; Charles Rathbone; Henry Kim, Executive Director, San Francisco Taxi Association; Rob Walter; Jim Nakamura; Theodore Lakey, Deputy City Attorney; Ben Rosenfield, Mayor's Budget Office.
Continued to 7/24/02.

7/17/02, CONTINUED.

7/24/02, CONTINUED. Heard in Committee. Speakers: Rusach Graffis, United Taxicab Workers; Supervisor Daly; Ted Lakey, Deputy City Attorney.
Continued to July 31, 2002.

5. **020483** **[Donation of Equipment]**

Resolution authorizing a donation of one surplus Police van to the City of Concord, California, for use in its Police Department's emergency response efforts. (Police Department)

4/3/02, RECEIVED AND ASSIGNED to Finance Committee.

6. **021237** **[Contracting out City Services]**

Resolution concurring with the Controller's certification that assistance to certain victims of crime and education in community anti-street violence can be practically performed for the District Attorney's Victim Witness Assistance Program by a private contract at a lower cost than similar work services performed by City and County employees. (District Attorney)

(Public Benefit Recipient.)

7/17/02, RECEIVED AND ASSIGNED to Finance Committee.

7. **020794** **[Ellis-O'Farrell Parking Garage Bond Refinancing]**

Mayor

Resolution approving and authorizing the issuance of City of San Francisco Ellis-O'Farrell Parking Corporation Parking Revenue Refunding Bonds to refund in part bonds previously issued by the City of San Francisco Ellis-O'Farrell Parking Corporation; approving a bond indenture modifying the maximum amount of the contingent reserve fund; authorizing and ratifying the execution and delivery of documents reasonably necessary for the issuance, sale and delivery of such refunding bonds; and ratifying previous actions taken in connection therewith. (Mayor)

(Fiscal impact.)

5/13/02, RECEIVED AND ASSIGNED to Finance Committee.

6/5/02, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Moyer, Mayor's Office of Public Finance; Ronald Szeto, Acting Director, Parking Authority; Mr. Pang; Anson Lee, Manager, Ellis-O'Farrell Parking Corporation.

8. **020663** **[Extension of Sunset Clause - Utilization of Bid/RFP Process for Awarding of Parking Authority Leases and Management Contracts]**

Ordinance amending Section 17.11 (a) of the San Francisco Administrative Code to extend the authorization of the Parking Authority to utilize a Bid/RFP process for the awarding of all leases and management agreements for the use or operation of parking facilities. (Parking and Traffic Department)

4/24/02, RECEIVED AND ASSIGNED to Finance Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceeding begins, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to Committee Clerk, Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, California 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above.

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.42 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

021221 **[Laws and procedures governing the enforcement of prevailing wages for workers on public work projects]**

Supervisor Ammiano

Ordinance adding subsection 6.1(H), definition of prevailing wage; amending subsection 6.22(A)(6) to include a requirement concerning subcontractor licenses; amending subsection 6.22(B) to include a requirement that all contractor and subcontractors provide workers' compensation insurance certificates; amending subsection 6.22(E) concerning application and enforcement of prevailing wage requirements and assessment of penalties and backwages; amending subsection 6.22(O) to add further contractual requirements for the employment of apprentices and to add penalties for noncompliance; adding subsection 6.22(P) concerning safety requirements for contractors and subcontractors; amending section 6.24 to expand the authority of the Office of Labor Standards Enforcement to enforce requirements of state and federal law, to enforce working conditions and apprenticeship and to assess monetary penalties and backwages against public work contractors.

7/8/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 8/7/2002.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.ci.sf.ca.us/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are televised on channel 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

The following services are available when requested by 4:00 p.m. of the Friday before the Board meeting:

For American Sign Language interpreters, use of a reader during a meeting, or sound enhancement system, contact Ohn Myint at (415) 554-7704.

For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.

The Clerk of the Board's Office TTY number for speech-hearing impaired is (415) 554-5227.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 409, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org
Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/bdsupvrs/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

.25
1/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

July 25, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: July 31, 2002 Finance Committee Meeting

Item 1 - File 02-1141

Department: Recreation and Park Department (RPD)

Item: Ordinance approving and authorizing a new agreement between the RPD and the San Francisco Forty Niners, Ltd. (49ers), for stadium advertising and naming rights and for the performance of certain capital repairs at the City's Stadium located at Candlestick Point.

Description: The proposed ordinance would authorize a new Agreement between the City and the Forty Niners, Ltd., (49ers), which would give to the 49ers the exclusive right to (a) sell all advertising on or related to the scoreboards and signage at the stadium located at Candlestick Point (Stadium) and (b) sell the naming rights to the Stadium for the duration of the Stadium Lease agreement between the City and the 49ers, for the next five years and ten months. The Lease agreement expires on May 31, 2008. In exchange for the exclusive right to sell advertising and naming rights, the 49ers would perform certain capital repairs to the Stadium, operate and maintain the scoreboards and signage and would pay the City an advertising use fee and a naming rights use fee.

Scoreboards and Signage Advertising

Under the proposed Agreement, the 49ers would have the exclusive right to sell year-round advertising on or related to Stadium scoreboards and signage. The 49ers will select the advertising sponsors and advertising copy, subject to approval by the Recreation and Park Department (RPD) General Manager.

Previously, the City had an Agreement with Sony Corporation of America from March 1, 1987 through March 31, 2001 (or 14 years and 1 month) for the purchase, use, and operation of the stadium scoreboard and signage. After the original contract expired on March 31, 2001, the City and the 49ers entered into a nine month agreement, for the period from May 1, 2001 to January 31, 2002, which was not subject to Board of Supervisors approval, granting the 49ers the exclusive right to operate and sell scoreboard and signage advertising space in exchange for the payment of a advertising use fee by the 49ers to the City and performance of stadium capital repairs by the 49ers on the City's behalf. Under this nine month agreement, the 49ers paid to the City $110,000 for the advertising use fee. In addition, the 49ers performed stadium capital repairs of $322,000 in value, and spent $170,000 for operation and maintenance of the scoreboards and signage, for total benefits to the City of $602,000. Attachment I, provided by RPD provides further details on payments made by the 49ers to the City and compares the terms of the proposed Agreement to the terms of the prior agreements.

The proposed Agreement states, "the 49ers shall pay the City an annual use fee of Six Hundred and Twenty-Five Thousand Dollars ($625,000) beginning in Year 1 and increasing each year thereafter at a rate of four percent (4%) annually during the Term (e.g., for the 2003-04 season, the fee shall be Six Hundred and Fifty Thousand Dollars ($650,000); for the 2004-05 season, the fee shall be Six Hundred and Seventy-Six Thousand Dollars ($676,000)) (the "Advertising Use Fee")." A schedule of the Advertising Use Fee payments over the term of the Agreement is included in Attachment I. Remaining advertising revenues shall be used for 49ers profit and to reimburse the 49ers for

certain expenses and for funding of a Capital Repairs Account as described further below.

The proposed Agreement authorizes the 49ers to set the rates and charges for sale of scoreboards and signage advertising. According to the Agreement "the 49ers shall, at its own cost and expense...throughout the Term [of the Agreement] perform the routine operation, maintenance and repair activities to and for the Scoreboards and Signage." The proposed Agreement also states:

> The 49ers shall be entitled to retain from annual Gross Scoreboards and Signage Revenues the following actual costs incurred by the 49ers in connection with the Scoreboards and Signage, to the extent such costs are reasonable and have been actually incurred by the 49ers (the "Operating Costs"): (a) the 49ers' actual costs of performing the Routine Operation and Maintenance, provided, however, that to the extent such costs exceed Three Hundred and Forty Thousand Dollars ($340,000) in any year, they must be approved in advance by the General Manager to be included in Operating Costs ..., provided that the foregoing Three Hundred and Forty Thousand Dollars ($340,000) spending cap shall increase at a rate of four percent (4%) annually during the Term (e.g., the cap will be three Hundred and Fifty-Three Thousand, Six Hundred Dollars ($353,600) in 2003-04; Three Hundred and Sixty-Seven thousand, Seven Hundred and Forty-Four Dollars ($367,744) in 2004-05 and so on); (b) the actual costs of suites and tickets provided to advertisers in connection with the sale of advertising on or related to the Scoreboards and Signage, up to an amount equal to fifteen percent (15%) of annual Gross Scoreboards and Signage Revenues in the year in which the suites and tickets costs were incurred; and (c) the actual costs of certain miscellaneous marketing costs directly related to the generation of Gross Scoreboards and Signage Revenues, including internal sales commission, up to an amount equal to twelve percent (12%) of annual Gross Scoreboards and Signage Revenues in the year in which the miscellaneous costs were incurred. Any costs in

> excess of the limits set forth in subsection (b) and (c) hereof must be excluded from the Operating Costs unless the General Manager approves such costs, which approval shall not be unreasonably withheld, conditioned or delayed.

The Budget Analyst notes that the proposed Agreement provides no dollar limit on the amount the 49ers can deduct for suites and tickets provided to advertising sponsors, but rather provides that the 49ers may deduct actual costs, up to 15 percent of gross advertising revenues, for these costs. In addition, the RPD General Manager may approve additional deductions, above the 15 percent of gross advertising revenues, for suites and tickets provided to advertising sponsors.

The previous agreement for scoreboard and signage advertising which was in effect from May 1, 2001 to January 31, 2002, stated:

> 49ers shall be entitled to retain gross revenues from the sale of advertising on or related to the Scoreboards and Signage, including video advertising, in the amount of One Million And Two Hundred Thousand Dollars ($1,200,000) ...To the extent that gross advertising revenues on or related to the Scoreboards or Signage, including video advertising, exceed One Million And Two Hundred Thousand Dollars ($1,200,000) ("Excess Revenues"), such Excess Revenues shall be distributed as follows: First, to pay the amount by which the actual and reasonable costs of the Capital repairs exceed Three Hundred and Twenty-Two Thousand Dollars ($322,000); then to pay 49ers an administrative fee of Fifty-Four Thousand Dollars ($54,000); and then, any additional Excess Revenues shall be split evenly by the City and 49ers, with any such amounts determined at the end of the Term and City's share due within thirty (30) days thereafter.

In addition, the proposed Agreement provides that the 49ers would receive 15 percent profit on the gross revenues realized from scoreboard and signage advertising up to $1,500,000; 18 percent profit on gross advertising revenues

from \$1,500,000 to \$2,000,000; and 20 percent profit on gross advertising revenues exceeding \$2,000,000. Therefore, RPD has projected that the total estimated profit to the 49ers from the gross scoreboards and signage revenues ranges from \$180,000 (based on gross advertising revenues of \$1,200,000) to \$915,000 (based on gross advertising revenues of \$5,000,000). However, as discussed in Comment No. 5, below, the RPD has projected gross advertising of \$3,000,000, which would result in estimated profits of \$515,000 for the 49ers.

The proposed Agreement provides that, "All revenues remaining after payment of the 49ers' Operating Costs and commissions and the City's Advertising Use Fee, ...shall be deposited by the 49ers into a separate interest-bearing account held jointly by City and the 49ers (the "Capital Repairs Account") and may be used by (or, as the case may be, reimbursed to) the 49ers only for capital repairs at the Stadium mutually agreed upon by the General Manager and the 49ers ..." This means that after the 49ers have received profits, been reimbursed for allowed costs and paid the City the \$625,000 advertising use fee (in year 1), the 49ers shall deposit any revenues remaining to the Capital Repairs Account. As stated previously, the advertising use fee shall increase at a rate of four percent per year. Therefore, if gross revenues and allowable costs remain constant, the combined benefit to the City of the advertising use fee and capital repairs will also remain constant.

The proposed Agreement also provides that prior to July 1, 2003, if the Capital Repairs Account exceeds \$750,000, the City may redistribute any monies exceeding \$750,000 to RPD, "as if such Excess Monies were part of the Department's regular budget." The Budget Analyst notes, however, that it is extremely unlikely that the capital repairs account will accumulate a balance in excess of \$750,000 prior to July 1, 2003 because, as discussed in Comment No. 5 below, the RPD estimates the proposed agreement will result in only \$710,000 in revenues designated for stadium repairs. After July 1, 2003, the City and the 49ers must mutually agree to redistribute any monies exceeding \$750,000 to RPD and only in the event that RPD's fiscal circumstances are substantially similar to

those in FY 2002-03. According to Ms. Jaci Fong of the RPD, "the intent of this contract is to generate as much funds as possible to perform needed capital improvements to the stadium." However, Ms. Fong reports that this provision would provide the RPD with the flexibility to designate such funds exceeding $750,000 in the capital repairs account to other RPD operating expenditures.

However, the Budget Analyst notes that the proposed Agreement also states that in any year the "City receives an increase in such ticket revenues over the City's share of ticket revenues for the 2002-03 football season, the Advertising Use Fee shall be reduced in an equal amount on a dollar-for-dollar basis, with the amount of any such reduction added to the Capital Repairs Account..." This means that in any future year the City receives increased admission ticket sales revenues[1] from the ticket sales revenues received in FY 2002-03, the City would receive a corresponding reduction in the subject annual advertising use fee.

Ms. Fong reports that this provision was included in the Agreement because, "the intent of the parties has been to generate as much revenue as possible for much needed capital repairs and maintenance to the Stadium that the City would otherwise be required to perform under the lease." Under the proposed Agreement, any reduction in the annual advertising use fee would be deposited in the capital repairs account. Under current provisions of the Lease for the Stadium, the City receives 10 percent of gross revenues from ticket sales as a portion of the rent for the Stadium. Ms. Fong reports that the City received $3,203,488 in admission ticket sales revenue in FY 2000-01 and $3,210,757 in admission ticket sales revenue in FY 2001-02. Ms. Fong further reports that the City received an additional $1,232,000 in FY 2000-01 from the 49ers for luxury box, parking, food and beverage revenues[2], for total FY 2000-01 rent of $4,435,488 and an additional $1,267,000

[1] Under the original Stadium Lease Agreement between the City and the 49ers, the City receives 10 percent of the 49ers admission ticket sales revenues as a portion of the Stadium rent.
[2] Under the original Stadium Lease Agreement between the City and the 49ers, the City receives 10 percent of the 49ers luxury boxes, parking, food and beverage revenues as a portion of the Stadium rent.

in FY 2001-02 from the 49ers for luxury box, parking, food and beverage revenues, for total FY 2001-02 rent of $4,477,757. Ticket prices for 49ers games have increased for the 2002 football season from a price of $50 per ticket to $58 per ticket, an increase of 16 percent. Therefore, the City's revenues from admission ticket sales should likewise increase by 16 percent from approximately $3,200,000 to $3,712,000 beginning in FY 2002-03. These increased revenues have been appropriated in the RPD's FY 2002-2003 budget.

Also, under the proposed Agreement, the City may accept capital repairs to the Stadium of equal value in lieu of all or any portion of the advertising use fee. Under this provision, the RPD General Manager would solely decide whether to accept either the advertising use fee <u>or</u> capital repairs without any approval of the Recreation and Park Commission or the Board of Supervisors. The RPD General Manager would also designate which repairs would be performed and the 49ers and City would mutually agree on the cost of the repairs designated by the General Manager.

Under the proposed Agreement, in FY 2002-03 the 49ers are entitled to a One-Time Reimbursement of $35,125 for previously incurred scoreboard and signage operation and maintenance costs, provided that the 49ers have paid in full all amounts due to the City under the Stadium Lease for luxury suite payments. Therefore, the 49ers will receive a One-Time Reimbursement of $35,125 for those costs previously incurred by the 49ers for scoreboard and signage operation and maintenance in FY 2001-02.

Naming Rights

Under the proposed Agreement, the City would grant to the 49ers the right to select a sponsor to affix their name or logo to the Stadium. The 49ers would be authorized to enter into an agreement with a sponsor for Stadium naming rights on whatever terms the 49ers chose, although such agreement must adhere to City policies regarding advertising on City property, such as the City's policy that there shall be no advertising of cigarettes or tobacco products on City property. The actual selection of the sponsor would be subject to Recreation and Park Commission approval, but would not be subject to approval of the Board of Supervisors (see Comment No. 7).

The proposed Agreement provides that the 49ers will pay to the City 50 percent of all naming rights revenues. However, no amount for the naming rights revenues has been included in the agreement. Further, the 49ers would be authorized to deduct from gross Naming Rights revenues, prior to calculation of the City's 50 percent payment, the actual costs, "to the extent such costs are reasonable and have been actually incurred by the 49ers," of the following: (a) suites and tickets provided to the sponsor; (b) producing and installing naming rights signage; (c) Super Bowl tickets provided to the sponsor; (d) maintenance of the naming rights signage, and (e) travel by the 49ers to secure the Naming Rights Sponsor. However, the Agreement provides for no limitations on such deductions and does not define "reasonable" with respect to such costs. The City may accept capital repairs to the Stadium of equal value in lieu of all or any portion of the naming rights use fee. Under this provision, the RPD General Manager would solely designate which repairs would be performed and the 49ers and City would mutually agree on the cost of the repairs designated by the General Manager. The proposed Agreement states that "Each year, the 49ers shall be entitled to all revenues generated from the sale of Naming Rights to the Stadium remaining after payment of the 49ers' Allowable Expenses and the City's Naming Rights Use Fee."

According to the proposed Agreement, the 49ers would be responsible for payment of any taxes resulting from the

Agreement, including possessory interest taxes and sales taxes.

Comments:

1. The City had a prior Agreement with the 49ers for stadium naming rights for the period from February 1, 1996 through January 31, 2000 (a four year period). Under the terms of the prior Agreement, the 49ers paid the City a total of $3,900,000 in naming right use fees. All of the payments to the City by the 49ers accrued as a departmental revenue to the General Fund – Recreation and Park Department, Candlestick Park. Ms. Fong reports that under the original Naming Rights Agreement the payments to the City were designated to "provide a portion of the funding necessary to undertake the Stadium renovations." However, Ms. Fong states that in the January 31, 2000 Extension of the Naming Rights Agreement, the 49ers and the City agreed that an additional $1,800,000 in payments due under the extension did not have to be applied to the stadium and could be used for any purpose. According to Ms. Peg Stevenson of the Controller's Office, the City has been fully paid the $3,900,000 by the 49ers under the original agreement and the $1,800,000 under the extension.

2. RPD has awarded the subject Agreement to the 49ers on a sole source basis, as discussed in Attachment II, provided by RPD, without first obtaining Board of Supervisors approval to conduct such sole source negotiations with the 49ers. The RPD has therefore put the Board of Supervisors in a position to "take it or leave it"; i.e., to either approve this proposed agreement or disapprove the agreement, which could place the City in a position to earn no advertising or naming rights revenue for FY 2002-2003.

According to RPD, the Department awarded the subject contract on a sole source basis rather than submit the contract to a competitive bidding process because "the 49ers are the sole tenant at the stadium." The attached memorandum notes that for the prior two contracts for scoreboard and signage advertising with Sony and for stadium naming rights with the 49ers, RPD conducted a broad, competitive solicitation process for bidders for the respective contracts. Ms. Fong reports that when RPD

conducted a competitive solicitation process for naming rights in 1996, the only bid came from the 49ers.

In addition, the Budget Analyst notes that under this proposed Agreement between RPD and the 49ers, the 49ers would be authorized to designate the company to be awarded the naming rights without the use of any competitive bidding process.

In the professional judgement of the Budget Analyst, without a competitive bidding process, the Board of Supervisors cannot be assured that the City is receiving the greatest possible benefit from the scoreboard and signage advertising rights and naming rights Agreement. Furthermore, since under this proposed Agreement the 49ers will make profits from the advertising and naming rights and provide a portion of the revenue to the City and to the Capital Repairs Account, the Budget Analyst believes the it is highly likely that City could receive greater revenues to the General Fund and for capital repairs to the Stadium by putting the rights out to bid. Lastly, the RPD could conduct separate competitive selection processes for the scoreboard and signage advertising rights and for the naming rights, in order to ensure a broader range of responses and attainment of the greatest possible economic benefit to the City.

3. Ms. Elizabeth Goldstein, General Manager of RPD, reports that the Department contracted with Millsport to review the proposed Agreement between the RPD and the 49ers. The Millsport website states that "Millsport is a global sponsorship consultancy bringing brands and people together through a wide variety of professional, sporting, entertainment, and social events." Ms. Goldstein states that Millsport has verbally advised RPD that the City has "done very well" in the subject Agreement. The Budget Analyst had been previously advised that a written report from Millsport would not be available as of the writing of this report. However, a report from Millsport was transmitted to the Budget Analyst on the afternoon of this report's issuance. The Budget Analyst has therefore not had sufficient time to review the Millsport report or to examine and verify its underlying data, and therefore has no comment on its validity. However, the Budget Analyst

notes that no one including Millsport can know the outcome of a competitive bid process. Further, the Budget Analyst notes that Millsport, based on information provided on its website, lists no public sector clients, other than "San Francisco City Services" and includes among its private sector clients the National Football League (NFL) and NBC Sports. The Millsport report is included as Attachment III to this report.

In the professional judgement of the Budget Analyst, neither Millsport nor the RPD can determine that the City is maximizing its economic benefit until a competitive bidding process has been completed.

4. As stated above, the 49ers will select the advertising sponsors and advertising copy, subject to the sole approval by the RPD General Manager. If the General Manager does not approve the advertising sponsor or advertising copy, then the 49ers and the RPD General Manager will meet-and-confer to resolve the issue. If the issue is not resolved through the meet-and-confer process, the 49ers will remove the advertising at their own expense.

5. The original stadium Lease Agreement between the City and the 49ers states that:

> The City shall be obligated throughout the term of this lease (a) to keep the Stadium (including the physical structure thereof and the parking area adjacent thereto) in good order and repair, inside and out, and all equipment thereof including, but not limited to, machinery, pipes, plumbing, wiring, gas and electric fittings and all other equipment thereof including all permanent and temporary seats and seating arrangements and (b) to make such renewals and replacements of equipment, including seats and seating arrangements, as may be necessary, so that at all times the Stadium, and the parking area, and all equipment incident thereto shall be in thorough good order, condition and repair; provided, however, that the City shall not be obligated to keep in good order and repair any improvements, betterments or additions, or to make any renewals or replacements

of any equipment, made or installed in the Stadium by or at the direction, the Lessee.

Ms. Fong reports that RPD projects gross revenues for scoreboard signage and advertising to be $3,000,000 for FY 2002-03, resulting in total revenue and capital repairs funding to the City of $1,335,000. Based on the RPD's projection of gross revenues for scoreboard signage and advertising of $3,000,000, the RPD has provided the following estimates for costs and revenues for FY 2002-03:

49ers Costs	Percent of Gross Revenue	Amount
Scoreboard Operating Costs[3]		$340,000
Suites and Tickets	@ 15%	450,000
49ers Misc. Marketing Costs	@ 2%	60,000
49ers Internal Commission as cost	@ 10%	300,000
Total Estimated Costs Paid to 49ers		$1,150,000
49ers Profit		
Profit to 49ers on Gross Revenues up to $1.5 million	@ 15%	$225,000
Profit to 49ers on Gross Revenues from $1.5 to $2 million	@ 18%	90,000
Profit to 49ers on Gross Revenues from $2 to $2.5 million	@ 20%	100,000
Profit to 49ers on Gross Revenues greater than $2.5M	@ 20%	100,000
Total Estimated Profit to 49ers		$515,000
Advertising Use Fee payable by 49ers to the City		$625,000
Capital Repairs to the Stadium		710,000
Total Estimated Benefit to City		$1,335,000
Estimated Total Gross Scoreboard and Signage Revenues		$3,000,000

[3] According to RPD, the amount of $340,000 included for Scoreboard Operating Costs, which is the spending cap for such costs without prior approval of the RPD General Manager, is an estimate and is for illustrative purposes only. Under the proposed Agreement, the 49ers would be reimbursed for actual scoreboard operating costs.

Therefore, using the RPD's estimate of total advertising revenues of $3,000,000 annually, the 49ers would receive reimbursement and allowances for costs of $1,150,000 and profit of $515,000 17.2 percent for a total of $1,665,000. The City would receive $625,000 for the advertising use fee and $710,000 for the Capital Repairs.

However, in response to an inquiry from the Budget Analyst, Mr. Ed Goines, Vice President of Business Affairs/Legal Counsel for the 49ers stated that total advertising revenues for 2001 was $1,097,000. Additionally, Mr. Alex Tourk, Director of Governmental Affairs for the 49ers informed the Budget Analyst that the 49ers spent $170,000 for scoreboard operating costs in 2001. Therefore, based on this information, the Budget Analyst concludes that it is highly unlikely that the $3,000,000 total advertising revenue figure estimated by the RPD will be achieved in the early years of the proposed agreement. With respect to future years under this proposed agreement, Mr. Goines stated that "It is impossible, at this time to accurately project gross [advertising] revenue." According to Mr. Goines "...the 49ers internal modeling includes annual gross sales levels as low as $1,400,000 to as high as $3,000,000".

6. Ms. Fong states that RPD is unable to provide the Budget Analyst with any projections for Naming Rights revenues because RPD "does not want to adversely effect ongoing negotiations between the 49ers and potential sponsors."

The 49ers have also declined to provide the Budget Analyst with estimated Naming Rights revenues to be received by either the City or the 49ers. As previously noted, the proposed agreement is silent as to the amount of naming rights revenues to be realized.

7. The proposed ordinance provides that the 49ers would have the exclusive right to select a Naming Rights sponsor for the stadium naming rights, subject to City and Recreation and Park Commission policies on advertising on City and Recreation and Park Department properties and subject to prior approval of the Recreation and Park Commission of the proposed Stadium name and any

subsequent Stadium name, if the sponsor were to change. However, the selection of the Naming Rights sponsor would not be subject to Board of Supervisors approval. The Budget Analyst recommends that the proposed agreement be amended to require that the selection of the sponsor of naming rights be subject to Board of Supervisors approval.

8. Under the proposed ordinance, the City would not be required to pay the costs of replacing highway or street signs identifying the stadium but would be required to use its best efforts to cause CalTrans or other appropriate governmental authority to replace freeway and street signs. The proposed Agreement states:

> Should the 49ers request that CalTrans or the City replaces freeway or street signage identifying the Stadium, it shall be replaced at no expense to the City. City shall use its best efforts, including without limitation acting as applicant or co-applicant, to cause CalTrans or other appropriate governmental authority to replace freeway and street signs, at no cost to City, as promptly as possible following public announcement of the Naming Rights Sponsor.

9. The proposed Agreement would become effective upon approval by the Board of Supervisors and the Mayor and would continue until the expiration of the stadium lease on May 31, 2008. Under the current stadium Lease, the 49ers may exercise three successive five year renewal options. If the 49ers exercise their options to renew the stadium lease, then the subject Agreement for advertising and naming rights would also be extended for the same period of time as the Stadium Lease without further Board of Supervisors approval.

10. If the 49ers elect to terminate their stadium tenancy prior to the expiration of the stadium lease on May 31, 2008, without prior written consent of the City and for any reason other than to move to another location within the City, the proposed Agreement states that the 49ers shall pay the City an early termination penalty equal to a percentage of the naming rights use fee, depending on the number of years remaining in the stadium lease as follows:

With six years remaining on the Lease, the 49ers shall pay 100 percent of the equivalent of the City's Naming Rights Use Fee for one year. With five years remaining on the Lease, the 49ers shall pay 83.3 percent of the equivalent of the City's Naming Rights Use Fee for one year. With four years remaining on the Lease, the 49ers shall pay 66.6 percent of the equivalent of the City's Naming Rights Use Fee for one year. With three years remaining on the Lease, the 49ers shall pay 50 percent of the equivalent of the City's Naming Rights Use Fee for one year. With two years remaining on the Lease, the 49ers shall pay 33.3 percent of the equivalent of the City's Naming Rights Use Fee for one year. With one year remaining on the Lease, the 49ers shall pay 16.6 percent of the equivalent of the City's Naming Rights Use Fee for one year.

11. As stated previously, the proposed agreement provides that the 49ers can expend 15 percent of gross advertising revenue for luxury suites and tickets provided to advertisers in connection with the sale of advertising on or related to the scoreboards and signage beyond the percentage of gross revenues. The RPD estimates that such costs would range from $180,000 to $750,000. As of the writing of this report, Mr. Tourk of the 49ers is unable to provide the Budget Analyst with data on the actual expenses of this nature which the 49ers have incurred during 2001.

The proposed Agreement also provides that the 49ers would be authorized to deduct from gross Naming Rights revenues the actual costs, "to the extent such costs are reasonable and have been actually incurred by the 49ers," of the following: (a) suites and tickets provided to the sponsor; (b) producing and installing naming rights signage; (c) Super Bowl tickets provided to the sponsor; (d) maintenance of the naming rights signage, and (e) travel by the 49ers to secure the Naming Rights Sponsor. The proposed agreement does not define the term "reasonable" for purposes of evaluating such costs and does not identify how such an evaluation can be determined or who will determine reasonableness. The Budget Analyst recommends that the proposed agreement be amended to delete the provisions authorizing the 49ers

to deduct the costs of luxury suites and tickets provided to advertisers and the Naming Rights Sponsor from gross revenues, and to delete the deduction for the cost of Super Bowl tickets provided to the Naming Rights Sponsor. The Budget Analyst further recommends that the proposed agreement be amended to clearly specify how any 49ers costs to be deducted from total naming rights revenue will be evaluated for reasonableness.

12. The proposed Agreement states:

> Upon expiration or earlier termination of this Agreement, any and all funds, credit, interest or other balance remaining in the Capital Repairs Account shall first be used to reimburse the 49ers for any unreimbursed actual costs of Capital Repairs which the 49ers performed prior to the accumulation of sufficient funds in the Capital Repairs Account...All funds remaining after any such reimbursement shall be divided with seventy-five (75%) to the City and twenty-five percent (25%) to the 49ers.

According to RPD, although the 49ers would have received full reimbursement for their actual capital repairs costs, the proposed Agreement would grant 25 percent of the unexpended capital repairs account balance to the 49ers in order to provide an incentive to the 49ers to not request unnecessary repairs. However, because such repairs can only be made if the costs are specifically approved by the RPD General Manager, the Budget Analyst questions this provision. The Budget Analyst recommends that the Agreement be amended to remove the provision that the 49ers receive 25 percent of any unexpended balance in the capital repairs account.

13. As stated previously, the proposed Agreement provides that, if the City receives increased admission ticket sales revenues after FY 2002-03, based on 10 percent of the 49ers total admission ticket sales under the Stadium Lease, the City would receive a corresponding, dollar-for-dollar reduction in the subject annual advertising use fee. The Budget Analyst questions why the City's advertising use fee should be reduced if the City's admission ticket sales

revenues increase. The Budget Analyst recommends that the Agreement be amended to remove the reduction in the annual advertising use fee if admission ticket sales revenue increase because the City will receive reduced revenues from the proposed Agreement under this provision, if admission ticket sales revenues increase substantially.

14. According to Ms. Amy Brown of the City Attorney's Office, typically, an agreement such as the subject Agreement with the 49ers would be introduced as a resolution. However, the subject Agreement for the Stadium advertising and naming rights is being submitted for approval to the Board of Supervisors as an ordinance. In response to questions of the Budget Analyst, Ms. Brown states that "while we believe that there may be a number of independent legal justifications for not competitively bidding the agreement with the 49ers (in addition to the business-related justifications provided by the Department), we felt that the most legally protective way to have the agreement approved was by an ordinance waiving any potentially applicable contrary sections of the Administrative Code. Thus, we advised the Department that the agreement should be approved by an ordinance rather than a resolution." The proposed ordinance provides that "notwithstanding Chapters 6 [Public Works Contracting Policies and Procedures] and 21 [Acquisition of Commodities and Services] of the Administrative Code, the Board of Supervisors hereby approves the Agreement and the transactions contemplated thereby and authorizes the Commission, through the General Manager of the Recreation and Park Department..., to execute the Agreement, in the name and on behalf of the City, in substantially the form of such Agreement presented to this Board."

15. The proposed ordinance also provides that "the Board of Supervisors authorizes the General Manager to enter into any additions, amendments or other modifications to the Agreement ... that the General Manager determines are in the best interests of the City, do not materially decrease the revenue to the City contemplated in the Agreement or otherwise materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the

transactions contemplated in the Agreement and to effectuate the purpose and intent of this ordinance."

16. The proposed Agreement provides that: "The 49ers agree, for the Term of this Agreement and until the end of the third (3rd) year after the expiration or termination of this Agreement, to make their Books and Records reasonably available to City, or to any City auditor, or to any auditor or representative designated by City ... not more than once per calendar year, for the purpose of examining said Books and Records ... to determine the accuracy of the 49ers' reporting of any Gross Revenues hereunder, Operating Costs, Allowable Expenses, Capital Repair Account monies, and any other sums related to or due under this Agreement."

Summary: The proposed ordinance would approve the subject Agreement for scoreboard and signage advertising rights and naming rights for the Stadium located at Candlestick Point to the 49ers on a sole source basis. The RPD has therefore put the Board of Supervisors in a position to "take it or leave it"; i.e., to either approve this proposed agreement or disapprove the agreement, which could place the City in a position to earn no advertising or naming rights revenue for FY 2002-2003. Under the proposed Agreement, the 49ers would have the exclusive right to sell year-round advertising on or related to Stadium scoreboards and signage. Based on the RPD's projections of Gross Advertising Revenues of $3,000,000 for FY 2002-03, the 49ers would receive an estimated $1,150,000 in reimbursed costs, and $515,000 in profit, an estimated $710,000 would be deposited to a Capital Repairs Account for capital repairs to be performed on the Stadium, and the City would receive $625,000 for the advertising use fee. However, based on the fact that total advertising revenue of $1,097,000 was realized in 2001 according to the 49ers, the Budget Analyst concludes that it is highly unlikely that the $3,000,000 advertising revenue estimate will ever be achieved.

Under the proposed Agreement, the 49ers would also be authorized to select a sponsor for Stadium Naming Rights on whatever terms they chose, without a competitive bidding process. The proposed Agreement provides that the

49ers will pay to the City 50 percent of all Naming Rights revenues after the deduction from gross revenues of certain maintenance and marketing costs. The RPD and the 49ers have declined to provide the Budget Analyst with any projections for Naming Rights revenues and no amount of such revenues is specified in this proposed agreement. The selection of a Naming Rights sponsor would be subject to approval by the Recreation and Park Commission without approval by the Board of Supervisors.

In the professional judgement of the Budget Analyst, without a competitive bidding process, the Board of Supervisors cannot be assured that the City is receiving the greatest possible benefit from proposed Agreement. Furthermore, since under this proposed Agreement the 49ers will make profits from the advertising and naming rights and provide a portion of the revenue to the City and to the Capital Repairs Account, the Budget Analyst believes the City could receive greater revenues to the General Fund and for capital repairs to the Stadium by putting the rights out to bid. Lastly, the RPD should conduct separate competitive selection processes for the scoreboard and signage advertising rights and for the naming rights, in order to ensure a broader range of responses and attainment of the greatest possible economic benefit to the City.

Recommendations:

1. Because, under this proposed agreement, the scoreboard and signage advertising rights and naming rights would be awarded to the 49ers without a competitive bidding process and because no guaranteed naming rights revenues or estimates of naming rights revenues payable to the City and to the 49ers are available at this time, and no such revenues are specified in the agreement, there is no assurance that the City is receiving the greatest possible economic benefit from the proposed Agreement. Further, the RPD has put the Board of Supervisors in a position to either approve this proposed agreement or disapprove the agreement, which could place the City in a position to earn no advertising or naming rights revenue for FY 2002-2003.

Based on the provisions of the propose agreement, the Budget Analyst cannot recommend approval of the proposed ordinance.

2. If the Board of Supervisors decides to approve the proposed ordinance, the Budget Analyst recommends making such approval contingent on the following amendments to the proposed Agreement and the ordinance:

a. Amend the proposed agreement to require that the agreement between the 49ers and the sponsor of Naming Rights be subject to Board of Supervisors approval instead of approval by only the Recreation and Park Commission.

b. Amend the proposed agreement to delete the provisions authorizing the 49ers to deduct the costs of 49ers luxury suites and other game tickets provided to advertisers and the Naming Rights Sponsor from gross revenues used to calculate revenues to the City and to delete the deduction for the cost of Super Bowl tickets provided to the Naming Rights Sponsor from gross Naming Rights revenues used to calculate revenues to the City.

c. Amend the proposed agreement to define "reasonable" costs with respect to all costs that will be reimbursed to the 49ers and clearly specify how such costs will be evaluated and by whom.

d. Amend the proposed agreement to remove the provision that the 49ers receive 25 percent of any unexpended balance in the Capital Repairs Account because there is no need to provide an incentive to the 49ers to not request unnecessary repairs since such repairs can only be made if the costs are specifically approved by the RPD General Manager.

e. Amend the proposed agreement to remove any reduction by the 49ers to the annual advertising use fee payable to the City if admission ticket sales revenues increase.

f. Amend the proposed agreement to remove the provision that the RPD General Manager would solely decide whether to accept either the advertising use fee <u>or</u> capital repairs without any approval of the

Recreation and Park Commission or the Board of Supervisors.

g. Amend the proposed agreement to delete the provision that if the 49ers exercise their options to renew the stadium lease, the Agreement for advertising and naming rights would also be extended for the same period of time as the Stadium Lease without further Board of Supervisors approval.

h. Amend the proposed ordinance to delete the provision that "the Board of Supervisors authorizes the General Manager to enter into any additions, amendments or other modifications to the Agreement ... that the General Manager determines are in the best interests of the City, do not materially decrease the revenue to the City contemplated in the Agreement or otherwise materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transactions contemplated in the Agreement and to effectuate the purpose and intent of this ordinance." The Budget Analyst is particularly concerned about the definition of "material" decreases in revenue and "material" increases in obligations and liabilities of the City.

MEMORANDUM

DATE: July 23, 2002

TO: Ken Bruce
Severin Campbell
Sarah Graham

FROM: Jaci Fong

CC: Elizabeth Goldstein
Michael Frank
Michael Cohen
Amy Brown

RE: **Agreement for Stadium Advertising and Naming Rights Between City and County of San Francisco (the "City") and San Francisco Forty Niners, LTD (the "49ers").**

This memorandum responds to questions from your office, about the proposed Advertising and Naming Rights Agreement with the 49ers. It is very difficult to compare the proposed agreement with the previous advertising and naming rights agreements, because the circumstances are very different, the agreements are different in both intent and structure, and most significantly, the economics are completely different. During the term of the prior agreements, there were two sports teams at the Stadium, the 49ers and the San Francisco Giants. Through their presence at the Stadium, the primary tenant at the Stadium, the Giants, increased the advertising and naming rights values through increased exposure, as well economies of scale and costs associated with the agreements. The Giants moved to Pac Bell Park prior to the 2000 baseball season.

Prior Advertising and Signage Agreements

The agreement with Sony was effective March 1, 1987 and expired on March 31, 2001. The previous agreement with Sony was created with the intent of generating enough revenue through signage and advertising to: 1) offset the amortized cost of the scoreboard, equipment and signage, 2) offset costs of obtaining advertisers, including sales commissions, 3) offset the cost of operating the scoreboard and 4) generate additional revenue for the City.

Before 2001 the 49ers received no revenues from Stadium Advertising. As an interim measure, last year we entered into a one-year Scoreboard Advertising Agreement with 49ers.

Gross revenues totaled $1,097,000. The intent was to generate sufficient revenue to: 1) offset the cost of critical safety related capital repairs to the "wedge" section and signage "ribbon" of the Stadium, before the start of the 2001-2002 football season, that the City would have otherwise been responsible for, 2) offset the cost of operating the scoreboard, 3) offset costs of obtaining advertisers, including sales commissions, and 4) generate additional revenue for the Department. This was achieved. During the process of negotiating the one-year agreement the City and the 49ers obtained bids, reviewed historic costs, and had lengthy discussions regarding the value of the economic components of the agreement.

"The Agreement Between City and County of San Francisco and San Francisco 49ers for the Use Operation and Maintenance of the Scoreboards and Signage at 3Com Park" dated May 1, 2001, required the 49ers to pay a base Use Fee of $110,000 and perform capital repairs valued at $322,000. In addition, the 49ers operated the Scoreboard (which would otherwise be the City's responsibility), at a cost of approximately $170,000. Total economic benefits received by the City were $602,000. Section 6. 3.2. provided a means for calculating the "split" of revenues in excess of $1,200,000; however, gross revenues were only $1,097,000 and never exceeded $1,200,000. The remaining $495,000 included the 49ers costs and profits. These amounts have not yet been audited

Proposed Agreement – Advertising and Signage Component

Projected revenue to the 49ers from signage and advertising in the proposed agreement, is cost reimbursements of $1,150,000 per year (please note this is a conservative estimate, this number may be much lower, as the 49ers are limited to the reimbursement of actual costs), and net revenue/profit of $515,000 per year.

Projected Benefits to City from Scoreboard and Signage:

Year	Season	Use Fee	In Improvements	Total
1	2002-2003	$625,000	$710,000	$1,335,000
2	2003-2004	650,000	685,000	1,335,000
3	2004-2005	676,000	659,000	1,335,000
4	2005-2006	703,040	631,960	1,335,000
5	2006-2007	731,161	603,839	1,335,000
6	2007-2008	760,408	574,592	1,335,000

Prior Naming Rights Agreement

The intent of the original Naming Rights Agreement was to "provide a portion of the funding necessary to undertake the [Stadium] renovations." Under the initial term of the agreement the City received payments totaling $2,900,000. Under the extension options, the City received payments totaling $1,800,000. These payments did not depend on actual revenues generated by the 49ers. Rather the City received a flat fee as specified in the "Agreement to Sell Stadium Naming Rights 1996-2000", Article IV. Term and Article V. Fees and Charges.

As previously stated in my memo to you dated July 12, 2002, except as set forth below, the 49ers in good faith have made all these payments. A final $1,000,000 payment by 49ers is outstanding under Article V. of the Naming Rights Agreement. The City and 49ers have discussed the possible application of such sum for pre-development expenses for the new stadium approved by the San Francisco voters, consistent with Board of Supervisors

Ordinance No. 226-96. Such Ordinance authorized sequestration of proceeds from the Naming Rights Agreement for the purpose of planning and development of a new stadium or for renovation of the existing Stadium. Nothing in the Agreement is intended to waive or otherwise affect City's rights or 49ers' obligations with respect to such payment in the event the parties fail to timely reach agreement regarding the use of such monies, or in the event any such agreement does not receive required City approvals. Any such agreement to pay or reimburse for predevelopment expenses incurred by 49ers is subject to approval by the recreation and Park Commission, the Board of Supervisors and the Mayor. The City approved the deferral of the resolution of this issue with the approval of the "Agreement Regarding Extension of Naming rights Agreement", dated January 31, 2000.

The previous Naming Rights Agreement generated gross revenues as detailed below:

Year	Gross Revenue (In Millions of $'s)
2001	2.10
2000	2.10
1999	2.25
1998	1.30
1997	2.25
1996	2.25

These figures are gross amounts, which were provided by a representative of the 49ers. I cannot estimate the net amounts received by the 49ers, because payments to the City under the original Naming Agreement were for specified amounts rather than calculated based on actual revenues, and as a result, the 49ers were not required to disclose information about operating and other costs, the 49ers are required to make full disclosure under the proposed agreement.

Proposed Agreement – Naming Rights Component

The 49ers and the City will each receive 50% of net revenues from naming rights. Again, we hesitate to provide projections for the naming rights as we do not want to adversely effect ongoing negotiations between the 49ers and potential sponsors, which would ultimately result in less economic benefits to the City.

Conclusion

It was our intention with the proposed agreement to create a "unity of interest", which would motivate both parties to increase revenues and decrease costs in order to maximize net revenues, and fund the much needed capital repairs at the Stadium, that the City might otherwise be required to perform. Unlike the previous agreements, because the 49ers are reimbursed based on actual costs, and revenues are shared on a "net" basis, the agreement requires full disclosure of gross revenues and costs associated with the agreements. Of the total revenue that will be received by the City, $1,140,000 of projected Stadium scoreboard advertising and naming rights revenue was included as revenue in our operating budget for the Stadium. It is the intention of the Department that any additional revenue due the City from advertising and signage or naming rights, is directed towards the much needed capital repairs and maintenance of the Stadium.

MEMORANDUM

DATE: July 14, 2002

TO: Ken Bruce
Severin Campbell

FROM: Jaci Fong

CC: Elizabeth Goldstein
Michael Frank
Michael Cohen
Amy Brown

RE: Agreement for Stadium Advertising and Naming Rights Between City and County of San Francisco and San Francisco Forty Niners, LTD.

In anticipation of the expiration of the City's 1996 Naming Rights Agreement with the San Francisco Forty Niners ("49er"), staff had extensive discussions with the City Attorney's office regarding the process for developing a new advertising and Naming Rights agreement for the stadium located at Candlestick Point and formerly know as 3Com Park ("the Stadium"). We have been advised by the City Attorney's office that it is legally permissible to enter into a contract directly with the 49ers without seeking other bidders so long as the Board of Supervisors approves the agreement by ordinance.

We believe entering into the agreement directly with the 49ers is in the best interest of the City for the following reasons:

1. **Brings Value that only the 49ers can provide**

   a. **<u>The 49ers are the sole tenant at the Stadium.</u>** It is the 49ers' presence and the team's stature and identity that gives most of the value to Naming and Advertising Rights at the Stadium. The 49ers' winning record (resulting in television exposure), and the consistent sold out attendance record of 49ers games at the Stadium translates to near guaranteed advertising exposure. Although the stadium is occasionally permitted for other events these are often not committed more than 60 days in advance. Therefore, without the 49ers substantial prior commitments, Naming and Advertising would have little or no value to potential naming and advertising sponsors. Conversely, having the 49ers organization sell the advertising and naming opportunities directly adds cache

and therefore increases the value that can be obtained from the Naming and Advertising Rights.

b. **Bundling opportunities.** In addition, under the Stadium lease with the City, the 49ers have the exclusive right to market luxury boxes and food and beverage during the term of the lease. Exclusivity, luxury box rights, product sales opportunities and/or player appearances are often demanded by potential sponsors as part of naming rights and advertising rights packages. Only the 49ers can fulfill all of these expectations from potential sponsors. Again, the ability to bundle advertising with the offer of luxury suites or player appearances will increase the value that can be derived from the sale of advertising at the Stadium.

c. **The 49ers marketing expertise.** The 49ers have the marketing expertise, staff and infrastructure in place to sell both Naming and Advertising Rights. Additionally, they have contacts with companies that advertise in connection with professional sports that are invaluable and that will maximize the value obtained from such advertising at the Stadium.

2. **Capital Repairs to the Stadium.** Both the City and the 49ers are very interested in ensuring that much needed capital repairs are performed to the Stadium. The proposed agreement with the 49ers establishes a structure and provides funds for the City and the 49ers to work collaboratively to make these repairs to the Stadium, that the City is otherwise required to perform under the lease. The proposed agreement allows us to maximize the funds generated from the Stadium to make these repairs and to have the work performed in the most efficient and timely manner.

3. **Previous Contractual Relationship with the 49ers.** The 49ers have held the Naming Rights to the Stadium since 1995. In 1996, the City attempted to solicit bids from other companies that might be interested in purchasing the Naming Rights but only the 49ers submitted a proposal. Since that time, the Stadium has lost its only other regular, high profile tenant, the Giants, and the naming and stadium advertising market generally has experienced a downturn.

To insure that we have negotiated a "deal" that is favorable to the City and reflects industry standard practices, we have hired Millsport a marketing sports consultant to provide guidance and an independent evaluation of our efforts. Millsport has confirmed that the contract represents the best possible deal for the City.

Agreement for Stadium Advertising and Naming Rights Between City and County of San Francisco and the San Francisco 49ers
Millsport Evaluation
July 24, 2002

Millsport has been retained as an independent consultant by the City of San Francisco to evaluate the recent stadium advertising and naming rights agreement between the City and the San Francisco 49ers. For the purposes of this analysis, Millsport specifically focused on three aspects of the current agreement:

- The City's share of revenue from the advertising sold
- The City's share of revenue from the naming rights sold
- Sale of advertising and naming rights by 49ers

Millsport's evaluation is based on a number of factors including the ongoing evolution in the sports industry, comparable deals between cities/municipalities and NFL teams in other markets, and the resources of both the City and the 49ers to maximize these interests.

Advertising Revenue

An overall shift in the business of sports over the past decade or more has changed the way lease deals between teams and stadium owners are structured. The number of markets interested in attracting and retaining professional sports teams is greater than the supply dictated by the leagues. Additionally, escalating costs to run a team, primarily from rising player salaries, are making it more difficult for teams to compete.

Historically, stadiums were merely a venue for local teams to play their games. Stadium owners received most of the revenue, with a share of tickets, concessions and other services going to the team. The economics have changed dramatically, and in today's lease agreements it is not uncommon for the team to receive all revenue associated with the stadium while bearing few of the costs.

Of the 31 NFL teams (not including the 49ers), 22 teams receive 100% of stadium advertising revenue. In eight other deals, the percentage of revenue allocated to the team ranges from 10% of permanent signage/100% of game day signage to 75% of all advertising going to the club. The following are examples of teams that have negotiated favorable terms in the percentage of stadium advertising revenues they receive.

Team	% of Advertising Revenue Retained
Green Bay Packers	100%
Arizona Cardinals	100%
Jacksonville Jaguars	100%
Oakland Raiders	100%
St. Louis Rams	75%
Tampa Bay Buccaneers	100%
Dallas Cowboys	100%
Philadelphia Eagles	100%
Denver Broncos	100%

Source: Millsport

Given the economics of the latest deals, Millsport believes that the $625,000 annual advertising use fee paid to the City and 100% allocation of all revenue remaining after costs and commissions to a capital repairs budget is an equitable and fair allocation. To the extent such repairs would be the City's obligation under its lease with the 49ers, these revenues should be counted as City revenues.

In Millsport's opinion, the costs and commissions outlined in sections E (i) and (ii) of the proposed agreement are reasonable. These costs represent actual hard costs associated with the sales of advertising and should thus be deducted from the overall gross revenue and signage revenues. Routine operation and maintenance are essential in keeping the scoreboards and ad panels in "sellable" condition. Additionally, these costs are the City's obligation under its lease so it is appropriate to deduct them.

Tickets and suites provided to advertisers also represent an actual hard cost to the team. These types of benefits or "merchandising credits" are included in virtually all stadium advertising packages and are expected by the advertiser. To remain competitive, the 49ers must continue to incorporate these benefits.

The miscellaneous costs identified in the contract (e.g. internal sales commissions) also represents an actual hard cost incurred by the team to sell advertising, and should thus be recouped by the 49ers prior to the revenue sharing. While commissions vary by industry, a 10 – 15% range is typical in the sports advertising arena.

Millsport also believes that the overall commission structure paid to the team based on advertising sales is customary and fair. Further, the sliding scale provides an added incentive for the team to maximize revenues from advertising sales, benefiting both the team and the City.

Naming Rights

Following on the heels of rebounding advertising sales, the market for naming rights appears to be picking up as well.

Mega naming rights deals that headlined the business pages during the late 1990's screeched to a halt in 2000, as the economy turned sour and several corporate naming rights partners filed for bankruptcy. The events of September 11 compounded the situation with more financial cutbacks, and a direct impact on the number of fans attending sporting events. Naming rights deals that had been snatched up for $7 million per year or more rapidly returned to their pre-dotcom boom levels. And industry analysts readjusted estimated values of various new and renovated stadiums to the $2-3 million range.

Recent deals, however, are hinting that corporate interest in naming rights deals is beginning to show signs of life again. In two such deals, inked in June 2002, Minute Maid agreed to pay $3.57 million per year for the Houston Astros Stadium and Lincoln Financial signed on with the Philadelphia Eagles to name their new stadium for $6.75 million a year. The most recent NFL naming rights deal prior to the Eagles' was signed in January 2002 between Edward Jones and the St. Louis Rams for $2.65 million per year.

Millsport believes that the agreement to share revenue equally in a naming rights agreement is consistent or superior to the market and other team agreements, and as the market continues to improve, could provide upside potential for the City over its previous agreement with the 49ers.

At least thirteen of the 31 NFL teams (not including the 49ers) receive 100% of revenue generated from their naming rights deals. The Arizona Cardinals, the Dallas Cowboys, the Cleveland Browns, the Tennessee Titans, the Philadelphia Eagles, the Pittsburgh Steelers, and the Tampa Bay Buccaneers are among the teams retaining 100% of naming rights revenue.

A minimum of eight others teams receives at least 50%. For example, the Green Bay Packers, the Jacksonville Jaguars and the Oakland Raiders share naming rights revenues equally with the City. The St. Louis Rams receive 75% of naming rights revenues, and the Baltimore Ravens negotiated a one-time payment of $10 million to the Maryland Stadium Authority for the rights to sell naming rights and retain revenue. In 1999, the Ravens sold naming rights to PSINet for $105 million over 20 years.

Direct Negotiations for Sale of Advertising and Naming Rights with 49ers

In Millsport's opinion, allowing the 49ers to market and sell both advertising inventory and naming rights will maximize the revenue shared by the team and the City. The 49ers possess a unique combination of brand power, skills/expertise, relationships, and resources to attract a desirable naming partner.

First and foremost, the 49ers brand and associated team benefits represent the single most valuable asset in the stadium naming rights package. Locally, the 49ers are the Bay Area's most popular team. More than 36% of residents cited the franchise as their favorite team, followed by the Giants at 8%. Entering the 2001 season, the 49ers had registered 175 consecutive sellouts at home, including 22 postseason games, and fans continue to fill the stadium that holds 70,000 fans to capacity year after year.

Nationally, the team ranks second in the national public's perception as the NFL team with the greatest winning tradition and finest overall qualities. And the team's success and visibility reach beyond the NFL, ranking in the top ten most successfully branded international sports franchises according to a 2001 *Sports Business News* study. This appeal results in further benefits to a potential naming rights partner including extensive national television exposure and publicity.

With the Giants departure, and with a limited schedule of other events in the stadium (beyond 49ers games), entities pursuing a naming rights deal are in reality purchasing the rights to associate themselves with the powerful 49ers franchise. Without the team, the value and desirability of a stadium naming relationship decreases substantially. Because the 49ers control access to the brand, as well as to a number of tangible benefits within the stadium, the team is by far in the best position to structure a deal that will be most attractive to the naming prospect.

The 49ers marketing team is exposed, on a daily basis, to the types and values of advertising and naming rights partnerships being formed in the professional sports arena. The team's access to information in this area, including information that may not publicly available, will be invaluable in creating a package that brings in maximum revenues to the team and thus, to the City.

Further, the team's intricate web of relationships across other NFL teams, the league, non-NFL franchises, corporate sponsorship departments and other key industry leaders puts them in a unique position to network and access potential partners. The team's understanding of how companies utilize sponsorship, advertising and naming

rights partnerships to achieve objectives will allow them to customize and tailor win-win packages for the City/team and the prospective naming rights partner.

The team also has the necessary resources to devote to a full-scale search for a naming rights partner. The City's Parks and Recreation Department may lack the resources and expertise to manage a project of this magnitude and scope.

Given the team's longevity in the San Francisco marketplace and its desire to enhance both current and future profitability and partnerships, the 49ers have a vested interest in negotiating the best possible naming rights deal. Ideally, the partner who comes on board will continue the naming rights relationship when the 49ers ultimately move to a new stadium.

It should also be noted that in drafting this agreement we believe that the City has accounted for key considerations in handing this right/responsibility to the team. Specifically, the City has protected its interests in the naming rights deal by incorporating key points such as the right to approve any proposed stadium name and the provision to include value-in-kind consideration and early termination fees in the event the 49res terminate their tenancy at the stadium.

Item 4 File 01-1178

Note: This item was continued by the Finance Committee at its meeting of July 24, 2002.

Department: Taxicab Commission

Item: Ordinance amending Sections 2.26.1 and 2.27.1 of the Police Code to amend the schedules for Motor Vehicles for Hire of the one-time permit application filing fees, other related fees and annual license fees and transferring responsibility for the administration the Motor Vehicles for Hire Program from the Police Department's Taxicab Detail to the Taxicab Commission.

Description: In November of 1998, San Francisco voters approved a Charter Amendment that created the Taxicab Commission (Proposition D) to administer the Motor Vehicles for Hire permits, fees and licensing program. Police Code Section 1076 (a) defines Motor Vehicles for Hire as every type, kind and class of privately owned motor-propelled passenger-carrying vehicles for hire over which the City may exercise jurisdiction, excluding vehicles licensed in other jurisdictions, limousines, funeral limousines, buses, private ambulances or rail vehicles.

The proposed ordinance would (a) transfer responsibility for the administration the Motor Vehicles for Hire Program from the Police Department's Taxicab Detail to the Taxicab Commission in accordance with Charter Section 4.133; and (b) amend Sections 2.26.1 and 2.27.1 of the Police Code to modify the amount of the fees charged under the Motor Vehicles for Hire Program. The permit application filing fees are currently collected on a one-time basis only while other related fees are collected when applicable, for example each time a Medallion is lost, by the Police Department. The annual license fees are collected by the Treasurer/Tax Collector's Office.

In accordance with Police Code Section 1087, all revenues generated from Motor Vehicles for Hire fees are deposited in the Taxicab Enforcement Fund and such funds can only be used for the capital and operating costs related to

the Motor Vehicles for Hire permit and license program. Capital costs include vehicles used for auditing and enforcement purposes and operating costs include personnel expenses, materials and supplies and related costs. All expenditures made from the Taxicab Enforcement Fund are subject to appropriation approval by the Board of Supervisors.

As stated above, during the Budget Committee's consideration of the Taxicab Commission's proposed FY 2002-2003 budget, an amended version of the proposed fee ordinance was submitted to the Budget Committee. The amended ordinance changed the proposed fees and, overall, reduced projected FY 2002-2003 fee revenue by \$117,300, from \$1,445,250 to \$1,327,950. Also at that time, the Taxicab Commission's proposed FY 2002-2003 expenditure budget of \$1,445,250 was reduced by the Budget Committee by \$117,300 to \$1,327,950 to conform to the amended schedule of fees and reduced revenue estimate. Attachment I, provided by the Taxicab Commission, shows the current fees, previously proposed fees and currently proposed fees for 12 permit application filing fees and other related fees and eight annual license fees for Motor Vehicles for Hire. These fees were last revised in April of 1999 (File 98-1443).

Attachment II, also provided by the Taxicab Commission, details the specific expenditure reductions to the Taxicab Commission's proposed FY 2002-2003 budget to reduce proposed expenditures by the \$117,300 amount of the reduced revenues that would result from the amended version of the proposed ordinance. The Budget Committee approved the reductions to the Taxicab Commission's budget and recommended the reduced Taxicab Commission budget to the Board of Supervisors.

Recommendations: Approve the proposed ordinance.

Amended Proposed Taxi Fee Increase and Revenue Projections
2002-2003

6/27/02

	Permit Type	Current Fee 2002	Original Proposed Fee 2002-2003			New Proposed Fee 2002-2003			
			Original Proposed Fee 2002-2003	Original Proposed Fee vs. Current Fee	% Increase Original Proposed Fee vs. Current Fee	New Proposed Fee 2002-2003	Original Proposed Fee vs. New Proposed Fee	New Proposed Fee vs. Current Fee	% Increase New Proposed vs. Current Fee
Drivers	Driver Applications	$65	$65	$0	0%	$65	$0	$0	0%
Drivers	Driver Renewals	$40	$40	$0	0%	$45	$5	$5	13%
Permit Holders/Cab Companies	Permit Holder Applications	$450	$550	$100	22%	$550	$0	$100	22%
Permit Holders/Cab Companies	Permit Holder Renewals	$330	$625	$295	89%	$475	($150)	$145	44%
Permit Holders/Cab Companies	Ramped Taxicab Applications	$325	$100	($225)	-69%	$100	$0	($225)	-69%
Permit Holders/Cab Companies	Ramped Taxicab Renewals	$175	$100	($75)	-43%	$100	$0	($75)	-43%
All Applicants	PCN Applications	$200	$225	$25	13%	$300	$75	$100	50%
Permit Holders/Cab	Color Scheme Change	$125	$150	$25	20%	$250	$100	$125	100%
Permit Holders/Cab	Lost Medallions	$150	$150	$0	0%	$150	$0	$0	0%
Permit Holders/Cab	Metal Medallions	$25	$25	$0	0%	$30	$5	$5	20%
Cab Companies	New Color Scheme Application								
Cab Companies	1 to 5 Medallions	$500	$500	$0	0%	$750	$250	$250	50%
Cab Companies	6 to 15 Medallions	$1,000	$1,000	$0	0%	$1,500	$500	$500	50%
Cab Companies	16 to 49 Medallions	$2,000	$2,000	$0	0%	$3,000	$1,000	$1,000	50%
Cab Companies	50 or more Medallions	$2,500	$2,500	$0	0%	$3,750	$1,250	$1,250	50%
Cab Companies	Color Scheme Renewals								
Cab Companies	1 to 5 Medallions	$500	$500	$0	0%	$500	$0	$0	0%
Cab Companies	6 to 15 Medallions	$1,000	$1,000	$0	0%	$1,000	$0	$0	0%
Cab Companies	16 to 49 Medallions	$2,000	$2,000	$0	0%	$2,000	$0	$0	0%
Cab Companies	50 or more Medallions	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
Dispatch	Dispatch Service Application	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
Dispatch	Dispatch Service Renewals	$2,500	$2,500	$0	0%	$2,500	$0	$0	0%
	Total Revenue	$1,040,175	$1,445,250	$405,075		$1,329,250	($116,000)	$289,075	

Reductions to Taxicab Commission Budget
Per New Proposed Fee Increase 6/27/02

- Per further discussions regarding the Taxicab Commission Fee Increases, I am submitting an amended fee schedule with the following amendments to the Taxicab Commission budget.

Reductions in the total of $117,300 Include:

- .75 FTE of class 1840, Junior Management Analyst in the amount of $41,085
- .5 FTE of class 1842, Management Analyst in the amount of $31,106
- $17, 776 in corresponding fringes
- $1,333 in Professional and Contract Services
- $26,000 in equipment for 1 car

Salaries		
Class	FTE	Reductions
1840	-0.75	$ (41,085)
1842	-0.5	$ (31,106)
Subtotal		$ (72,191)
Fringe		$ (17,776)
Total Salary & Fringe		$ (89,967)
Non-Salary		
Professional and Contract		$ (1,333)
Capital/ Equiptment		$ (26,000)
Total Non-Salary		$ (27,333)
Total Reductions/Savings		$ (117,300)

Item 5 - File 02-0483

Department: Police Department

Item: Resolution authorizing the Police Department to donate one surplus van to the City of Concord's Police Department.

Description: According to Sergeant David Herrera of the Police Department, the subject police van, a 1987 Chevrolet Fleetwood motor home, has approximately 5,012 miles.

According to Sergeant Herrera, and as explained in his attached memorandum (Attachment), this van was acquired by the Police Department at no cost in 1989 as a result of asset forfeiture through the Department's Narcotics Division. According to Sergeant Herrera, the van has been used by the Police Department as its sole mobile command platform during emergencies for the past 12 years, during planned and unplanned emergencies to establish an on-site control center.

The Chief of Police of the City of Concord has requested that the van be donated to the City of Concord. According to Sergeant Herrera, the Concord Police Department plans to refurbish the van for use as a command post during emergency operations and as a community policing outreach vehicle.

Comments: 1. According to Sergeant Herrera, in October of 2001, the Police Department purchased one Police command van with FY 2000-2001 Mayor's Criminal Justice Council (MCJC) funds, which are funded through the U.S. Department of Justice Local Law Enforcement Block Grant Program and were previously approved by the Board of Supervisors. This van is now being used by the Police Department as a mobile command platform during emergencies. According to Sergeant Herrera, the Police Department also purchased one additional Police command van with FY 2001-2002 San Francisco Traffic Offenders Program (STOP) funds, which are self generating funds from revenue generated from traffic enforcement. This van is expected to be delivered to the Police Department in the Fall of 2002 and will also serve

as a mobile command platform during emergencies. According to Sergeant Herrera, the Police Department has no use for the subject police command van, which has not been used by the Police Department since October of 2001 and is in need of extensive repairs.

2. According to Sergeant Herrera, the estimated fair market value of the van is between $7,000 and $10,000, based on an evaluation by Nationwide Auction Systems, an independent appraiser retained by the Purchasing Division. The Police Department has determined that the van is surplus to the needs of the department and is awaiting the Board of Supervisors decision on whether or not the van will be donated to the City of Concord. According to Sergeant Herrera, once the Board of Supervisors has acted on this resolution, the Police Department will decommission the vehicle. On March 28, 2002, the Police Commission approved a resolution authorizing the donation of the van to the City of Concord.

3. According to Sergeant Herrera, if the van were not donated to the Concord Police Department, the van would be sold by the Purchasing Division's Central Shop at a public auction. However, as noted in the attached memorandum, Sergeant Herrera states that former Chief Lau is requesting that the van be donated to the Concord Police Department in support of the goals of the Multi-county Mutual Aid Response Program under which various law enforcement agencies provide assistance to one another. The San Francisco Police Department is a member of the nine Bay Area County's Multi-county Mutual Aid Response Program.

Recommendation: Approval of the proposed resolution is a policy decision for the Board of Supervisors.

POLICE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO
THOMAS J. CAHILL HALL OF JUSTICE
850 BRYANT STREET
SAN FRANCISCO, CALIFORNIA 94103

FRED H. LAU
CHIEF OF POLICE

April 11, 2002

Mr. Brian Stott
Office of the Budget Analyst
1390 Market Street, Room 1025
San Francisco, CA 94103

Dear Mr. Stott,

Per your request, I am responding to the questions related to the proposed donation of the police department's surplus Command Van (161K601) to the Concord Police Department. The estimated current value of this 1987 Fleetwood motor home is $7,000.00 to $10,000.00 at public auction. The Police Department acquired this vehicle as a result of an asset forfeiture case through the Narcotics Division at no cost to the City in early 1989. It has served the city as our sole mobile command platform for the past 12 years. This vehicle was replaced in October of 2001 by a custom built state of the art Mobile Command Van that was manufactured specific to the needs of our department.

The condition of this piece of equipment can be described as poor at best. It was never manufactured as a mobile command platform nor was it designed to navigate on steep city hill. These factors have lead to the unreliable nature of the vehicle. Major electrical issues, frame stress, engine oil leaks and compressor failure are only some of the many mechanical problems. Exterior roof leaks and siding fatigue have made the vehicle less than watertight.

The Chief of Police has asked that this van be donated to the Concord Police Department at the request of Chief Ron Ace. Chief Ace and the Concord Police Department participate in a multi-county mutual aid response program designed to support various law enforcement agencies in the event of civic crisis. Concord was part of the mutual aid response for the City of San Francisco during the "White Night" riots many years ago. They have a number of high profile targets within the Concord city limits as well as neighboring jurisdictions. Budgetary restraints have force their department to operate annually without this valuable piece of equipment. They have inspected the van and are willing to accept it in an "as is" condition.

With this in mind, Chief Fred H. Lau and the Honorable Members of the Police Commission request your support in helping to make a portion of our overall mutual aid program stronger. Please feel free to contact me at 553-1221 if I can help in any further way.

Sincerely,

Sergeant David P. Herrera
Fleet Administrator
San Francisco Police Department

Item 6 – File 02-1237

Department: District Attorney

Item: Resolution concurring with the Controller's certification that assistance to certain victims of crime and education in community anti-street violence can be practically performed for the District Attorney's Victim Witness Assistance Program by a private contract at a lower cost than similar work services performed by City and County employees.

Services to be Performed: Victim Witness Services for the District Attorney's Victim Witness Assistance Program

Description: Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work performed by City employees.

Victim Witness Services for the District Attorney's Victim Witness Assistance Program consist of assisting lesbian, gay, bisexual, and transgender victims and witnesses in cooperating with the criminal justice system in prosecutions.

The Controller has determined that contracting for Victim Witness Services for FY 2002-03 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$101,085	$122,892
Fringe Benefits	28,519	31,932
Total	$129,604	$154,824
Contractual Services Cost	(105,968)	(107,589)
Estimated Savings	$23,636	$47,235

Comments:

1. A contract for Victim Witness Services was first certified under Proposition J as required by Charter Section 10.104 in 1981 and such services have been provided by an outside contractor, Community United Against Violence (CUAV), a non-profit corporation, since that time. According to Ms. Linda Alexander of the District Attorney's Office, since 1981 CUAV has been the sole contractor of Victim Witness Services for (a) assistance to lesbian, gay, bisexual, and transgender victims of crime and (b) hate-crime prevention services and therefore CUAV is uniquely qualified to provide such services.

2. The Contractual Services Cost used for the purpose of the analysis is based on (a) CUAV's estimated FY 2002-03 costs to provide victim witness services, and (b) the salary and fringe benefits of 0.1 FTE 8131 Victim Witness Investigator II position in the District Attorney's Office to monitor the contract. Ms. Alexander notes that FY 2002-03 would be the 21st year that the City has contracted with CUAV for victim witness services.

3. The prior one-year contract with CUAV, the non-profit organization which provides the victim witness services, expired on June 30, 2002. According to Ms. Alexander, CUAV has been performing victim witness services without a contract since July 1, 2002 because approval of the proposed resolution is required before the contract with CUAV can be renewed. As the contract period for the proposed resolution is July 1, 2002 through June 30, 2003, the proposed resolution should be amended for retroactivity. According to Ms. Alexander, the proposed resolution is approximately one month late in coming before the Board of Supervisors due to administrative delays.

4. The Attachment to this report, provided by the District Attorney's Office, is the Controller's supplemental questionnaire, with the responses from the District Attorney's Office.

Recommendations:

1. As noted in Comment No. 3, amend the proposed resolution to provide for retroactivity.

2. Approve the proposed resolution, as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: District Attorney's Office
CONTRACT SERVICES: Community United Against Violence (CUAV)
CONTRACT PERIOD: July 1, 2002 thru June 30, 2003

(1) Who performed the activity/service prior to contracting out?
No on performed these services prior to CUAV.

(2) How many City employees were laid off as a result of contracting out?
There have not been and will not be any City employees laid off as a result of the contract.

(3) Explain the disposition of employees if they were not laid off.
N/A

(4) What percentage of City employees' time is spent of services to be contracted out?
N/A

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
The services have been contracted out since 1981. This is an on-going contract with annual requests.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?
The contract predates Proposition J. The contract has been certified each year since Proposition J passed.

(7) How will the services meet the goals of your MBE/WBE Action Plan?
CUAV is a 501 C 3 non-profit. I do not believe that it falls under MBE/WBE categories (as it is not "owned"). 50% of the Board are people of color.

(8) Does the proposed contractor provide health insurance for its employees?
Yes, CUAV provides health insurance for its employees.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?
CUAV (the proposed contractor) complies with the Domestic Partnership ordinance, providing benefits to both spouses and domestic partners.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?
Yes.

Department Representative: Linda Alexander
Telephone Number: (415) 553-1827

Item 7 – File 02-0794

Note: This item was continued by the Finance Committee at its meeting of June 5, 2002.

Department:	Parking Authority Mayor's Office of Public Finance
Item:	Resolution (1) approving the issuance of Parking Revenue Refunding Bonds by the San Francisco Ellis-O'Farrell Parking Corporation in an amount not to exceed $6,500,000, to refinance bonds issued in 1992 which funded the seismic upgrade and expansion of the Ellis-O'Farrell Public Parking Garage; (2) approving a bond indenture modifying the maximum amount of the Contingent Reserve Fund by 50 percent from $500,000 to $750,000; (3) authorizing and ratifying the execution and delivery of documents reasonably necessary for the issuance, sale and delivery of such refunding bonds; and (4) ratifying previous actions taken in connection therewith.
Amount:	Not to exceed $6,500,000
Source of Funds:	San Francisco Ellis-O'Farrell Parking Corporation Parking Revenue Refunding Bonds
Description:	According to Mr. Ron Szeto of the Department of Parking and Traffic (DPT), the City-owned Ellis-O'Farrell Public Parking Garage, located at 123 O'Farrell Street, is leased by the City to the San Francisco Ellis-O'Farrell Parking Corporation, a nonprofit corporation. Attachment I, provided by DPT, contains background information on the San Francisco Ellis-O'Farrell Parking Corporation and their existing lease agreement with the City. Mr. Szeto advises that, under the terms of the approximately 26-year lease between the City and the Corporation which began on June 1, 1991 and terminates on April 1, 2017[1], the Corporation is required to obtain Board of Supervisors approval for the issuance of tax-exempt bonds and the execution of various documents related to such bonds. In 1992, the Board of Supervisors authorized the Corporation to issue $6,500,000 in Parking Revenue Bonds to seismically upgrade the Ellis-O'Farrell Garage

[1] According to the terms of the lease between the City and the Corporation, the lease period began on June 1, 1991 and terminates on the earlier of 50 years (May 31, 2041) or the date of the last debt service payment (April 1, 2017).

and expand the Garage by adding approximately 350 parking spaces on two and one-half additional parking levels. According to Ms. Nadia Sesay of the Mayor's Office of Public Finance, the outstanding principal amount of debt from the original 1992 $6,500,000 bond issuance is $5,225,000 as of May 20, 2002.

Approval of the proposed resolution would authorize the San Francisco Ellis-O'Farrell Parking Corporation to issue tax-exempt Parking Revenue Refunding Bonds in an amount not to exceed $6,500,000, in order to refund the outstanding 1992 Parking Revenue Bonds. According to Mr. Szeto, these Parking Revenue Refunding Bonds would be repaid from the gross receipts of the Ellis-O'Farrell Garage. According to Mr. Szeto, these Parking Revenue Refunding Bonds, as with the original 1992 Parking Revenue Bonds, do not require the City's General Fund to repay the bonds.

According to Ms. Sesay, the existing 1992 Parking Revenue Bonds have interest rates of between 6.9 percent and 7.125 percent and were issued with a 25-year term, with a final payment date on April 1, 2017. The 1992 Parking Revenue Bonds can be called from investors on or after April 1, 2002. According to Ms. Sesay, the estimated true interest cost for the subject proposed Parking Revenue Refunding Bonds is 4.89 percent and the bonds would have an approximately 15-year term with the final payment still due on April 1, 2017. Attachment II, provided by the Mayor's Office of Public Finance, is a debt service comparison between the 1992 Parking Revenue Bonds and the proposed Parking Revenue Refunding Bonds, and an explanation of the one-time versus the 15-year aspects of the savings.

As shown in Attachment II, the proposed refinancing of the 1992 Parking Revenue Bonds will result in an estimated total savings in aggregate debt service of $430,043.61, of which $428,000 would be realized on the anticipated issue date of September 10, 2002 as a one-time upfront savings plus $2,043.61 in net present value savings over the 15-year term of the bonds. This estimated savings is based on a par amount of $5,225,000 (the outstanding principal amount of debt on the original

1992 bonds) at an average annual interest rate of 4.89 percent for a term of 15 years, according to Ms. Sesay.

According to the terms of the existing indenture between the Corporation and the Bank of America National Trust and Savings Association for the 1992 Parking Revenue Bonds, the Corporation retains 15 percent up to $500,000 maximum of net annual revenues[2] from the operation of the Ellis-O'Farrell Garage in a Contingent Reserve Fund to be used only for Garage capital improvements. The proposed resolution would approve an indenture between the Corporation and the Trustee of the proposed Refunding Bonds, to be selected in August of 2002 through a competitive bid process, to increase the maximum amount net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent from $500,000 to $750,000. According to the terms of the proposed indenture, whenever any funds are withdrawn for capital improvements from the Contingent Reserve Fund, the amount withdrawn would be replaced from subsequent net revenues up to $750,000. However, the Contingent Reserve Fund could not be allocated an amount in excess of 15 percent of the Garage's net revenues in any one year. According to Mr. Szeto, increasing the maximum amount of the Contingent Reserve Fund by 50 percent is necessary to allow the Corporation to set aside sufficient funds to address needed capital improvements including office renovations, the purchase of digital cameras for the vehicle entry lanes and stairwells, and other necessary improvements.

Attachment III, provided by DPT, shows the actual and projected sources and uses of Ellis-O'Farrell Garage revenues from 1999 to 2017 (year ending April 30th). As shown in Attachment III, in 2003 the Corporation would retain in the Contingent Reserve Fund the estimated one-time savings of $428,000 from issuance of the proposed Parking Revenue Refunding Bonds, resulting in a Contingent Reserve Fund total of $467,925 in 2003 (year ending April 30th). According to the projections contained in Attachment III, at no time during the 15-year term of

[2] Net revenues are equal to gross receipts less Parking Taxes, operating expenses and annual debt service.

the proposed Parking Revenue Refunding Bonds does the Contingent Reserve Fund total more than $467,925. Therefore, the Budget Analyst questions the need to increase the maximum amount of net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent, from $500,000 to $750,000, as is proposed in the new indenture for the subject Parking Revenue Refunding Bonds. Mr. Szeto responds in Attachment IV to the Budget Analyst's point by stating "There is always the possibility that the planned capital work for 2003 and subsequent years may not start or be completed exactly as scheduled within the Corporation's fiscal year. For this reason and the real possibility that the economy and the garage revenues will recover in the near future, the proposed Contingent Reserve Fund maximum limit of $750,000 will insure the availability of needed capital improvement funds without imposing a use or lose situation that does not have a negative financial impact to the City."

According to Mr. Szeto, the Parking and Traffic Commission must approve capital improvement expenditures from the Contingent Reserve Fund, which are incurred by the San Francisco Ellis-O'Farrell Parking Corporation. Mr. Szeto reports that such expenditures are not subject to Board of Supervisors approval.

Comments:

1. According to Ms. Sesay, the principal that would be outstanding on the prior 1992 Parking Revenue Bonds will be $5,225,000 on the date that the 1992 Parking Revenue Bonds are called, which is anticipated to be on October 14, 2002. The prior 1992 Parking Revenue Bonds have a Debt Service Reserve Fund which has a current balance of approximately $585,693. Those monies from the Debt Service Reserve Fund would be released when the 1992 Parking Revenue Bonds are defeased.[3] According to Ms. Sesay, approximately $565,940 of the $585,693 Debt Service Reserve Fund would be used to fund a new Debt Service Reserve Fund[4] for the proposed refunding

[3] Defeasance is the term used to describe the termination of all rights and interests of the bondholders upon final payment of all debt service, in the manner required by the terms and conditions of the bond resolution.

[4] Under the terms of the proposed refunding bond issuance and in accordance with Internal Revenue Service (IRS) Tax Regulations, the Corporation is required to fund a Debt Service Reserve Fund in

bonds. According to Ms. Sesay, the balance of $19,753 ($585,693 less $565,940) would be allocated to an Escrow Fund for use in paying off the 1992 Parking Revenue Bonds. Ms. Sesay advises that a Debt Service Reserve Fund is required to provide for debt service payments in case of a funding shortfall. If a shortfall occurs, and the Trustee is required to pay debt service from this Reserve Fund, then the Reserve Fund would be replenished by Garage revenues.

2. According to Ms. Sesay, the proceeds deposited in the Escrow Fund from the anticipated September 10, 2002 sale of the subject Parking Revenue Refunding Bonds will be held by a third party trustee (the "Escrow Agent") to be selected through a competitive bid process in August of 2002. On the anticipated bond call date of October 14, 2002, the Escrow Agent will redeem the 1992 Parking Revenue Bonds with the monies held in the Escrow Fund.

3. According to Ms. Sesay, the cost of issuance is estimated to be $250,000 for the proposed refunding bonds. Ms. Sesay reports that the cost of issuance is to be paid with bond proceeds.

4. Ms. Sesay anticipates that the proceeds from the sale of the subject Refunding Bonds will be invested in State and Local Government securities until October 14, 2002, the anticipated call date for the 1992 Parking Revenue Bonds.

5. Ms. Sesay notes that the exact amount of the proposed Parking Revenue Refunding Bond issuance in an amount not to exceed $6,500,000, will not be known until the date of the sale of the Parking Revenue Refunding Bonds, as the interest rate will affect the aggregate principal amount needed to fund the refunding escrow account and the bond insurance. However, Ms. Sesay advises that it is standard industry practice that issuance of refunding bonds must result in a debt service savings of at least

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the amount equal to the lesser of 10 percent of the par amount of the proposed Refunding Bonds, 100 percent maximum annual debt service or 125 percent average annual debt service on the proposed Refunding Bonds. In this case, the amount of the Debt Service Reserve Fund is an amount equal to 100 percent maximum annual debt service on the proposed Refunding Bonds or approximately $565,940.

three percent of the bonds to be refunded, which in this case, for the original 1992 bonds, is $5,225,000. Therefore, in order to assure debt service savings of at least three percent, the Budget Analyst recommends that the proposed resolution be amended by adding the following provision:

> "further provided, that the par amount of the refunding bonds issued shall not exceed an amount that will produce a net present value debt service savings of at least three percent of the refunded amount of $5,225,000 to defease the Series 1992 Bonds, or $156,750 as certified by the Corporation's independent financial advisor as a pre-condition to the Corporation's delivery of the Parking Revenue Refunding Bonds to the Trustee."

Ms. Sesay concurs with the Budget Analyst's recommendation.

6. According to Ms. Theresa Alvarez of the City Attorney's Office's, although the proposed resolution includes a provision to ratify previous actions taken in connection with the issuance of the proposed Parking Revenue Refunding Bonds, Ms. Alvarez is not aware of any such actions that have been taken.

7. At its meeting of June 5, 2002, the Finance Committee requested DPT to evaluate the potential for having the City defease the existing bonds and dissolve the San Francisco Ellis-O'Farrell Parking Corporation. Attachment V, provided by Mr. Szeto, is a memorandum in response to the Committee's request. Attachment VI is a memorandum from Mr. Michael Martin of the City Attorney's Office's commenting on this matter.

Recommendations:

1. In accordance with Comment No. 5 above, amend the proposed resolution to require that the par amount of the Parking Revenue Refunding Bonds to be issued by the San Francisco Ellis-O'Farrell Parking Corporation shall not exceed an amount that will produce a net present value debt service savings of less than three percent of the $5,225,000 which is the outstanding balance of the 1992 bonds to be refunded.

2. As noted in the Description Section above, the Budget Analyst questions the need to increase the maximum amount of net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent, from $500,000 to $750,000, as is proposed in the new indenture for the subject Parking Revenue Refunding Bonds, because at no time during the 15-year term of the proposed Parking Revenue Refunding Bonds does the Contingent Reserve Fund total more than $467,925 according to the projections contained in Attachment III.

3. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

City and County of San Francisco

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: May 22, 2002

TO: Ms. Anna LaForte
Analyst
Budget Analyst's Office

FROM: Ronald Szeto RS
Acting Director
Parking Authority

SUBJECT: City of San Francisco Ellis-O'Farrell Parking Corporation Refunding Bonds

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Background:

In 1991, the Board of Supervisors approved a Lease, dated as of June 1, 1991, (the "Lease") between the City and County of San Francisco (the "City") and the City of San Francisco Ellis O'Farrell Parking Corporation (the "Corporation") for the management of the Ellis O'Farrell Garage (the "Garage"). Under the terms of the Lease, the Corporation is required to obtain City approval for the issuance of tax-exempt bonds and the execution of various documents relating thereto.

Also under the terms of the Lease, the Corporation is required to solicit a professional parking operator through a competitive process for the daily parking management of the Garage and to obtain the Parking and Traffic Commission authorization to execute a management agreement between the Corporation and the parking operator. The Corporation is also required to submit an annual operating budget to the Parking and Traffic Commission for review and to the Controller's Office for approval. Furthermore, the Corporation is required to obtain the Parking and Traffic Commission authorization to expend funds for capital improvements to the Garage.

In 1992, the Corporation issued Parking Revenue Bonds the ("Series 1992 Bonds") to seismically upgrade the Garage damaged by the Loma Prieta Earthquake and to expand the Garage by adding approximately 350 spaces on two and one-half additional parking levels.

Ms. Anna LaForte
May 22, 2002
Page 2 of 3

As of May 1, 2002, the Corporation had an outstanding principal amount of $5,225,000 of Series 1992 Bonds. Final maturity on the Parking Revenue Bonds is April 1, 2017. Interest rates range from 6.90% to 7.125% (the weighted average interest rate is 7.12%) and the annual payment is approximately $580,000.

Under the Indenture, dated as of January 1, 1992, between the Corporation and the Bank of America National Trust and Savings Association, as trustee, (the "Indenture"), capital improvements at the Garage are funded from the Corporation's Contingent Reserve Fund ("Capital Improvement Fund"). Over the past several years, the Corporation has depleted all of the available funds in the Capital Improvement Fund on needed capital improvements at the Garage. In some instances our Department and the Controller's Office have had to utilize the Corporation's Repair and Replacement Fund to pay for needed capital projects. The Repair and Replacement Fund is not intended for this purpose.

Pursuant to the Indenture, the Corporation retains 15% (up to $500,000 maximum) of "Net" revenues from the operations of the Garage to be used for capital improvements. For fiscal year 2001-2002, the Corporation projects less than $40,000 of allocated "Net" revenue will be available to augment the Capital Improvement Fund.

One of our goals in the refunding process is to determine a proper net revenue allocation for the Capital Improvement Fund.

<u>Proposal:</u>

Staff and the Corporation propose to authorize the Corporation to take advantage of lower interest rates by issuing refunding bonds and to apply/deposit most of the "Net" savings, after payments of the cost of issuance which shall total approximately $250,000 into the Capital Improvement Fund. Based upon current market conditions as of May 1, 2002, it is estimated that the deposit to the Capital Improvement Fund would be approximately $500,000. If rates were to increase 25 basis points, the amount available to deposit would be approximately $453,000.

Originally, we also proposed adjusting the net revenue allocation from 15% to 25% to provide needed funding into the Capital Improvement Fund and increasing the maximum amount of the Capital Improvement Fund from $500,000 to $2,000,000.

Ms. Anna LaForte
May 22, 2002
Page 3 of 3

MUNI supports the Corporation's request to deposit the "Net" savings from the refunding into the Capital Improvement Account and agreed to further assist the Corporation by increasing the maximum limit from $500,000 to $750,000. However, at this time, MUNI does not support the extra 10% net revenue allocation to the Capital Improvement Fund. Hopefully, as the economy improves, the Corporation could generate higher net revenues and begin to adequately replenish the Capital Improvement Fund. Furthermore, MUNI agreed to revisit the Corporation's capital needs in the future if necessary. In the meantime, the Corporation could use the cash saving from the refunding to address their capital needs for the next several years.

The Corporation is being assisted in this bond refunding by a team of individuals representing: the Department of Parking and Traffic, the Mayor's Office of Public Finance, the City Attorney's Office, Co-Bond Counsels (Orrick, Harrington & Sutcliffe and Lofton and Jennings), Co-Financial Advisors (Public Financial Management and Municipal Capital Management), and Corporation Counsel (Mr. Richard Dole).

As of May 1, 2002, the refunding team estimates a True Interest Cost (TIC) of (4.63% based on present market condition and $500,000 available from the capital improvement account. The final maturity of the bonds would not be extended beyond the term of the Series 1992 Bonds, which is April 1, 2017.

The cost of issuance of the refunding bonds is estimated at ($250,000). However, the Corporation would not be obligated for any significant amount should the market conditions change unfavorably and the refunding bonds are not issued.

The Department recommends adoption of the proposed Resolution.

Cc: Diana Hammons, DPT

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SOURCES AND USES OF FUNDS

Ellis-O'Farrell Parking Corporation
2002 Refunding of Series 1992
Current Market Rates as of May 7, 2002 Plus 25 Basis Points
Contingency Fund

Sources:	
Bond Proceeds:	
Par Amount	5,980,000.00
Other Sources of Funds:	
Bond Funds	173,046.00
DSRF	585,693.42
Repair and Replacement Fund	100,000.00
	858,739.42
	6,838,739.42
Uses:	
Project Fund Deposits:	
Contingent Reserve	428,000.00
Refunding Escrow Deposits:	
Cash Deposit	0.66
SLG Purchases	5,454,126.00
	5,454,126.66
Other Fund Deposits:	
Debt Service Reserve Fund	565,939.99
Repair and Replacement Fund	100,000.00
	665,939.99
Delivery Date Expenses:	
Cost of Issuance	250,000.00
Underwriter's Discount	38,870.00
	288,870.00
Other Uses of Funds:	
Additional Proceeds	1,802.77
	6,838,739.42

Note: Run with A Scale Plus 25 Basis Points and no Insurance Cost

SAVINGS

Ellis-O'Farrell Parking Corporation
2002 Refunding of Series 1992
Current Market Rates as of May 7, 2002 Plus 25 Basis Points
Contingency Fund

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 07/10/2002 @ 4.7913607%
04/01/2003	576,820.00	565,939.99	10,880.01	13,444.67
04/01/2004	577,675.00	559,515.50	18,159.50	17,874.02
04/01/2005	577,000.00	560,762.00	16,238.00	15,285.66
04/01/2006	580,256.26	560,272.50	19,983.76	17,656.05
04/01/2007	577,087.50	558,442.50	18,645.00	15,708.45
04/01/2008	577,850.00	560,344.00	17,506.00	14,057.37
04/01/2009	577,187.50	560,714.00	16,473.50	12,603.80
04/01/2010	580,100.00	564,727.00	15,373.00	11,206.87
04/01/2011	576,231.26	557,209.50	19,021.76	13,052.24
04/01/2012	580,937.50	563,842.00	17,095.50	11,180.83
04/01/2013	578,506.26	558,850.00	19,656.26	12,151.23
04/01/2014	579,293.76	562,578.50	16,715.26	9,846.63
04/01/2015	577,943.76	559,486.50	18,457.26	10,290.75
04/01/2016	579,456.26	559,814.50	19,641.76	10,378.17
04/01/2017	578,475.00	558,302.00	20,173.00	10,106.29
	8,674,820.06	8,410,800.49	264,019.57	194,843.04

Savings Summary

PV of savings from cash flow	194,843.04
Less: Prior funds on hand	-858,739.42
Plus: Refunding funds on hand	665,939.99
Net PV Savings	2,043.61
Upfront Savings	428,000.00
Total Savings	$ 430,043.61

ith A Scale Plus 25 Basis Points and no Insurance Cost

9:53 am Prepared by Public Financial Management, Inc.

OFFICE OF THE MAYOR
SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

May 29, 2002

TO: Anna LaForte
Budget Analyst

FROM: Nadia Sesay
Public Finance

RE: Up-front Savings VS Level Savings

We typically structure bonds so that there is level debt service. Therefore, when we structure a refunding, it is structured for level savings, which means that debt service remains level but is lower. In this case, we have decided to structure the savings so that it is realized up front and the debt service over the remaining life of the bonds would remain unchanged (or reduced very slightly). Both types of structures would result in similar present value savings. In the first case, each year's savings would be discounted to the closing date to give you the present value savings. In the second case, the savings are already essentially discounted because they are realized on the closing day.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200, SAN FRANCISCO, CALIFORNIA 94102
(415) 554-6141

ELLIS O'FARRELL PARKING CORPORATION
TEN YEAR SOURCE AND APPLICATION OF FUNDS
YEAR ENDING APRIL 30

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
SOURCE OF FUNDS																					
Projected Annual Surplus		966012	769504	86561	$256,320	$266,165	$550,000	$566,500	$583,495	$601,000	$619,030	$637,601	$656,729	$676,431	$696,724	$717,625	$739,154	$761,329	$784,168	$807,694	$ 9,919,963
City Disbursement @ 85%		966012	769504	73577	$217,872	$226,240	$467,500	$481,525	$478,520	$510,850	$510,680	$518,601	$558,219	$529,390	$592,215	$609,981	$433,708	$413,629	$500,168	$686,540 *	$ 7,733,838
Corporation Disbursement @ 15%		0	0	12984	$38,448	$39,925	$82,500	$84,975	$87,524	$90,150	$92,854	$95,640	$98,509	$101,465	$104,509	$107,644	$110,873	$114,199	$117,625	$121,154	$ 1,487,994
Beginning Surplus & Year End Surplus		500000	500000	500000	$0	$0	$194,975	$121,125	$12,625	$0	$9,650	$0	$0	$11,709	$0	$20,009	$34,552	$0	$0	$0	
Initial Deposit from Refunding Bonds 2002						$428,000															
CORPORATION'S TOTAL FUND YEAR END		500000	500000	512984	$38,448	$467,925	$277,475	$206,100	$100,149	$90,150	$102,504	$95,640	$98,509	$113,174	$104,509	$127,652	$145,425	$114,199	$117,825	$121,154	
(Maximum Limit $750,000)																					
APPLICATION OF FUNDS	Budget																				*Actual Expenditures*
ADA Compliance Modification	132885		480	130006	1889																132375
Decking / Waterproofing	726060		40340	691060																	731400
Electrical	124447		8500	115947																	124447
Office Renovation	17300		800	15565	3965																20330
Parking and Revenue Control System	219180			107508	159516																267024
Interior Painting / Striping	217074			217074																	217074
General Contractor Fee	165810			158205	7500																165705
Architect Supervision & Contingency	81470		8199	39980																	48179
Parking Study - GEDC	30000				20000																20000
Floor Scrubber - Tennant	40000				38214																38214
	Est. Cost Current Value																				*Includes 3%/yr increase from 2002 projected cost*
Office Renovation / Meeting Room	170000					175100															175100
Customer Waiting Area for Valet Service	25000					25750															25750
Valet Station (Central Keys & Vehicle Locator	20000					20800															20800
Employee Break / Locker Rooms Improveme	30000					30900															30900
Additional Pay Station	40000						42400														42400
Entry/Exit Roll up Grill (Controlled Access)	60000							32700	33600												66300
Intercom System	20000					20600															20600
Vicinity Directory / Advertisement	30000						21200	10900													32100
Signage / Graphics	50000										59000										59000
Pedestrian Warning Signals	50000							27250	28000												55250
HVAC (Elts & Basement)	25000						20500														20500
Controlled Access (Offices/Cashier/Locker)	10000						10600														10600
Digital Cameras (Entry Lanes/Stairwells,)	100000							54500	56000												110500
Office Equipment	15000						15900														15900
Parking Equipment (Upgrade - R/R)	210000									80500			86800			93100					260400
Exterior Painting	200000																		264000		264000
Lighting Retrofit	75000						39750	40875													80625
Electrical Generator	125000													158750							158750
Maintenance Equipment	100000										59000				65000						124000
Elevator Retrofit	100000											121000									121000
Drainage / Water Management (Roof)	25000							27250													27250
Waterproofing	500000																340000	347500			687500
Replace Company Truck (1997 Nissan P/U)	15000														19500						19500
																					0
																					0
	1995000																				2454525
TOTAL CAPITAL EXPENSES		0	58319	1475345	231084	272950	156350	193475	117600	80500	118000	121000	86800	158750	84500	93100	340000	347500	264000	0	2454525
CAPITAL EXPENSES FUNDED BY OTHER FUNDS			$ 58,319	$ 962,361	$192,838				$17,451		$15,498	$25,360		$45,578			$104,575	$233,301	$188,376	$0 #	$ 696,133
(Construction Fund, Operation & Maintenance/Repair & Replace Fund)																					
CAPITAL EXPENSES FUNDED BY CAPITAL FUND				$ 512,984	$36,448	272950	156350	193475	$100,149	$80,500	$102,504	$95,640	$86,800	$113,174	84500	93100	$145,425	$114,199	$117,825	$0	
CAPITAL FUND YEAR END SURPLUS		$ 500,000	$ 500,000	$ -	$ -	$ 194,975	$ 121,125	$ 12,625	$ -	$ 9,650	$ -	$ -	$ 11,709	$ -	$ 20,009	$ 38,552	$	$ -	$ -	$ 121,154	$ 378,979

* $1.5 million Capital Improvement Project in 2001 depleted the Corporation's reserved funds. Project included: Waterproofing/Decking of Roof and Entry/Exit lanes, ADA Modifications, Electrical Panel Retrofit, Parking & Revenue Control Equipment Upgrades
In Fiscal Years 1999 & 2000 the Corporation did not retain any portion of the surplus revenues because it had reached its maximum limit of $500,000 in the Contingent Reserve Fund

** Revenues projected at 3% annual increase starting 2005

\# Reduction in Revenues (R/R fund) necessary to fund capital expenditures

5/28/02

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: May 29, 2002

TO: Anna LaForte
Analyst
Budget Analyst's Office

FROM: Ronald Szeto RS
Acting Director
Parking Authority

SUBJECT: City of San Francisco Ellis-O'Farrell Parking Corporation Refunding Bonds (memo 2)

In the past years, the Corporation had extensive work done at the Garage that costs over $1.5 million, which was well over the amount of funds and the maximum limit of the Contingent Reserve Funds. Our Department and the Controller's were able to assist the Corporation with the needed repairs by utilizing another fund. However, the Contingent Reserve Fund is the fund established and the more appropriate funding source for this type of work. At this time, the Corporation has depleted the funds in the Contingent Reserve Fund.

Originally, we recommended applying/depositing the cash saving from the refunding into the Contingent Reserve Fund, increasing the maximum amount of the from $500,000 to $2,000,000 and the allocation of net revenues from 15% to 25%. However, after discussions with Muni, we agreed that the most beneficial proposal is to apply/deposit the cash saving from the refunding into the Contingent Reserve Fund for needed improvements and to increase the maximum amount from $500,000 to $750,000 to give the Corporation the opportunity to retain all of the cash savings from the refunding and to retain a higher maximum if revenue increases in the future.

Upon refunding the bonds and depositing the cash savings, the Corporation's Contingent Reserve Fund will closely approach the current maximum limit of $500,000. There is always the possibility that the planned capital work for 2003 and subsequent years may not start or be completed exactly as scheduled within the Corporation's fiscal year. For this reason and the real possibility that the economy and the garage revenues will recover in the near future, the proposed Contingent Reserve Fund maximum limit of $750,000 will insure the availability of needed capital improvement funds without imposing a use or lose situation that does not have a negative financial impact to the City.

(415) 554-PARK FAX (415) 554-9834 25 Van Ness Avenue, Suite 410 San Francisco, CA 94102-4576

City and County of San Francisco

AN FRANCISCO
DPT
EPARTMENT OF PARKING & TRAFFIC

VILLIE LEWIS BROWN, JR., Mayor
RED M. HAMDUN, EXECUTIVE DIRECTOR

ONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

Date: July 24, 2002

To: Anna LaForte
Budget Analyst
Office of the Budget Analyst

From: Ronald Szeto RS
Acting Director, Parking Authority
Department of Parking and Traffic

Re: Ellis-O'Farrell Refunding Bonds

The purpose of this memorandum is to provide you with information on the status of the concerns raised at the June 5, 2002 Finance Committee when the Ellis-O'Farrell Refunding Bonds item was continued at the call of the Chair.

At the June 5th meeting, the Finance Committee asked City staff to look into the possibility of using another financing vehicle to defease the outstanding bonds of the Ellis-O'Farrell Garage and dissolve the City of San Francisco Ellis-O'Farrell Parking Corporation because the Corporation appeared to be fiscally irresponsible. The Finance Committee was concerned by the fact that the Corporation, experiencing a lost in the last six months, still had not secured any agreement or potential revenue by renting, leasing or licensing the 121 O'Farrell Street commercial space to the small business owners already occupying space.

Also, at the meeting, I informed the Finance Committee that the Department of Parking and Traffic was planning to license the commercial space directly from the Corporation. This plan would have allowed the Department the ability to assist the small business owners while generating rental income for the Garage. The Finance Committee said the Corporation has 90 days to heal any wounds.

Subsequently, the Corporation went beyond the Department's original plan by renting the display booths from the previous primary leasee, hired the security firm to protect the small business owners, hired a janitorial firm to maintain the premises, and directly contracted with the small business owners for the interim period, until a permanent lease is awarded. Moreover, the Corporation rolled-back the rental fees to the original amount paid by the small business owners at the 121 O'Farrell space while reducing the rent for the 133 O'Farrell merchants to provide a fair a competitive environment.

The Corporation also instructed their broker to accept proposals for the 121 O'Farrell space until July 31 to provide the small business owners sufficient time to prepare and submit proposals and hire an outside evaluator to participate in the permanent proposal evaluation process. The evaluation process incorporates a 10% credit for local business.

The Corporation will continue to directly license with each small business owner until the permanent leasee is identified, approved by the City, and ready for occupancy.

Since the Corporation implemented a plan that generates revenue and accommodates the small business owners to the satisfaction of every party involved, the Department of Parking and Traffic recommends taking action on the Ellis-O'Farrell Refunding Bonds as originally submitted.

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

MICHAEL J. MARTIN
Deputy City Attorney

DIRECT DIAL: (415) 554-4648
E-MAIL: michael.martin@sfgov.org

MEMORANDUM
PRIVILEGED & CONFIDENTIAL

TO: Anna LaForte
Budget Analyst's Office

FROM: Michael Martin
Deputy City Attorney

DATE: July 25, 2002

RE: City of San Francisco Ellis-O'Farrell Parking Corporation

This memorandum has been created in response to a inquiry from the Budget Analyst's office relating to the proposed refinancing of the City of San Francisco Ellis-O'Farrell Parking Corporation Parking Revenue Bonds, Series 1992 (the "1992 Bonds"), as to whether the City could directly prepay and defease the 1992 Bonds in the absence of any default by the City of San Francisco Ellis-O'Farrell Parking Corporation (the "Corporation").

The indenture relating to the 1992 Bonds does not reserve to the City the right to prepay the 1992 Bonds. Therefore, even if the City deposited with the trustee amounts sufficient to defease the 1992 Bonds, the trustee would not be able to defease the 1992 Bonds and discharge the indenture without the approval of the Corporation.

CITY HALL · 1 DR. CARLTON B. GOODLETT PLACE, ROOM 234 · SAN FRANCISCO, CALIFORNIA 94102-0917

Item 8 - File 02-0663

Note: According to Mr. Ron Szeto of the Department of Parking and Traffic (DPT), the Department intends to submit an Amendment of the Whole to substitute the Municipal Transportation Agency Board of Directors for the Parking and Traffic Commission because, as of July 1, 2002, the DPT budget became part of the Municipal Transportation Agency's baseline budget and the DPT now reports to the Municipal Transportation Agency Board of Directors instead of to the Parking and Traffic Commission.

Department: Department of Parking and Traffic (DPT)

Item: Ordinance amending Section 17.11(a) of the San Francisco Administrative Code to extend the authorization of the Parking Authority and Parking and Traffic Commission to utilize a Bid/Request for Proposal (RFP) process for the awarding of all leases and management agreements for the use or operation of City-owned parking facilities by five years from June 1, 2002 to June 1, 2007.

Description: On April 26, 1999, the Board of Supervisors approved an ordinance to amend Section 17.11 of the Administrative Code to (1) remove the prior provision requiring that the DPT obtain Board of Supervisors approval prior to advertising bid or Bid/RFP documents pertaining to the awarding of leases and management agreements to parking operators for the operation of parking facilities, and (2) authorizing the DPT until December 1, 2000 to issue Bid/RFPs in lieu of utilizing formal competitive bidding procedures for awarding leases and management agreements to parking operators for City-owned parking facilities (File 98-1935). Specifically, Section 17.11(a) of the Administrative Code enabled DPT to issue Bid/RFP's to award leases and management agreements to parking operators for operation of City-owned parking facilities when the Parking and Traffic Commission determines that such a Bid/RFP process is in the best interest of the City. In January of 2001, the Board of Supervisors approved an ordinance to extend the sunset provision for use of the Bid/RFP process by 18 months, from December 1, 2000 to June 1, 2002 (File 00-1798).

The current provisions of the Administrative Code state that "the authority given to the Parking Authority to use a Bid/RFP Process shall sunset on June 1, 2002, unless the Board of Supervisors, by ordinance, continues this authorization." Additionally, the current ordinance states that "the Bid/RFP Process shall be reviewed by the Parking Authority to determine if the utilization of the Bid/RFP Process has been in the best interest of the public, and a report shall be submitted to the Board of Supervisors." As stated by Mr. Szeto in the attached memorandum (Attachment I, page 2), there are advantages and disadvantages for both the formal competitive bidding process and the Bid/RFP processes. Mr. Szeto states that "While the short-term effects of the Bid/RFP have thus far demonstrated positive results, we are requesting extension of the authorization to use a Bid/RFP process until June 1, 2007 to evaluate the long-term effects...After this proposed extension period, ending June 1, 2007, we should have sufficient data to fully determine the degree of success of the Bid/RFP process and its effectiveness in achieving desired end results that are truly 'in the best interest of the City.'"

The proposed ordinance would amend Section 17.11(a) of the Administrative Code to extend the current sunset date by an additional five years, from June 1, 2002 to June 1, 2007 in order to permit the DPT to continue to award parking operator agreements on the basis of a Bid/RFP process rather than on the basis of utilizing formal competitive bidding procedures.

Comments:

1. On April 16, 2002, the Parking and Traffic Commission approved a resolution determining that utilization of the Bid/RFP process has been in the best interest of the public. Mr. Szeto advises that Attachment I to this report is the required report on the Bid/RFP process, which under the existing provisions of Administrative Code Section 17.11(a), must be submitted by DPT to the Board of Supervisors. As stated by Mr. Szeto on page 2 of Attachment I, "The objective of utilizing the Bid/RFP process is to enable selection of parking firms that will provide the greatest benefit to the City at a reasonable cost. When speaking of parking garages, the Department of Parking and Traffic defines

'the best interest of the City' as the net benefits to the City and County governance, the garage patrons, and the neighboring residents businesses and institutions." Mr. Szeto further reports that DPT determines whether to utilize a competitive bid or Bid/RFP selection process based on the Department's professional judgement of the complexity of the required garage operator duties.

Mr. Szeto states in Attachment I that since the subject ordinance was last amended in January of 2001, the DPT has conducted (a) one competitive bid process for the North Beach and Vallejo Street Garages joint management agreement (File 01-1389); (b) two Bid/RFP processes for the Golden Gateway Garage management agreement (File 02-0005) and the Performing Arts Garage[1] management agreement; and (c) two assignments[2] for the Moscone Center and the Polk-Bush Garages[3]. According to Mr. Szeto, the DPT made the two assignments for the Moscone Center Garage and the Polk-Bush Garage when the original garage operators, which were selected through two competitive bid processes, requested to be released from their management agreements thereby requiring DPT to assign the operator contracts for the two garages to the second lowest bidders. The original garage operator of the Moscone Center Garage, ABC, requested to be released from its management agreement for undisclosed reasons. The original garage operator of the Polk-Bush Garage, ABC/Thor, requested to be released from its original management agreement because of its then recent debarment by the Airport Commission. In addition, Mr. Szeto reports that two nonprofit parking corporations, the

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[1] Mr. Robert Bryan of the City Attorney's Office's Office advises that because the Performing Arts Garage is owned by the Parking Authority, the management agreement for this garage is not required to be approved by the Board of Supervisors, as provided for in Section 17.18 of the Administrative Code and the State Parking Law of 1949.

[2] Assignment occurs when the originally selected parking garage operator requests to be released from their management agreement. The Department then evaluates the second lowest responsive and responsible bidder to determine if it is capable of providing the garage operator services. If the second lowest responsive and responsible bidder is determined by the Department to be capable of providing garage operator services, then DPT assigns the management agreement to such firm, subject to approval by the Parking and Traffic Commission.

[3] Mr. Bryan advises that because the Moscone Center Garage and the Polk-Bush Garage are owned by the Parking Authority, the management agreements for these garages are not required to be approved by the Board of Supervisors, as provided for in Section 17.18 of the Administrative Code and the State Parking Law of 1949.

San Francisco Downtown Parking Corporation and the San Francisco Ellis-O'Farrell Parking Corporation, conducted Bid/RFPs for parking management agreements for the 5th and Mission Garage and the Ellis-O'Farrell Garage, respectively. Attachment I provides details on the selection processes for the management agreements for the eight garages mentioned above.

Mr. Szeto states that the Department is requesting a five year extension of the sunset date from June 1, 2002 to June 1, 2007 because the five year term would allow DPT to study and evaluate the long-term benefits and implications of parking facility operators selected through the Bid/RFP process. Although the authorization for DPT to utilize a Bid/RFP process in lieu of a formal competitive bidding process has been in place since April of 1999, and although, according to Mr. Szeto, the short-term evaluation of the Bid/RFP process indicates that the Bid/RFP evaluation process is in "the best interest of the City", Mr. Szeto reports that the Department is not prepared to recommend at this time for or against making this Bid/RFP evaluation process a permanent process. As stated by Mr. Szeto on page 10 of Attachment I, "The overall short-term benefits derived from the parking firms selected by the Bid/RFP process were realized either in terms of revenue growth, customer service enhancement, or both. Beyond solely empirical results, we feel confident that the parking firms selected through a Bid/RFP process are composed of strong management teams capable of maximizing revenues and providing the highest quality services to our resident, merchants and visitors."

Page 12 of Attachment I contains a list of the 19 City-owned garages, since January of 2001, where parking operator agreements have already been awarded or will be awarded within the next five years, under a competitive bid process or the Bid/RFP process for the use or operation of the City's 19 parking facilities.

2. According to the existing provisions of the Administrative Code that allow DPT to utilize a Bid/RFP process in lieu of a formal competitive bidding process, DPT is required to score the cost of the parking operator's bid at 60 percent of the total points being considered.

Attachment II, provided by DPT, describes the specific criteria, in addition to cost, that the DPT used to evaluate the parking operator proposals for the Golden Gateway Garage and the Performing Arts Garage under the Bid/RFP evaluation procedures. Mr. Szeto advises that the garage operators selected through Bid/RFP evaluation procedures by nonprofit corporations to manage the 5th and Mission Garage and the Ellis-O'Farrell Garage considered the cost of the parking operator's bid at 15 percent of the total points being considered.

3. Attachment III, provided by the DPT, shows the management fees payable to the City based on the bids submitted by the parking garage operators in response to the Bid/RFP processes and in response to the formal competitive bid process.

4. According to Mr. Szeto, the original competitive bidding process prescribed in Administrative Code Section 17.11, prior to its amendment in April of 1999, required approval of two types of legislation by the Board of Supervisors. First, the Board of Supervisors was required, by ordinance, to approve bid documents related to the award of such contracts as well as authorize the Director of Property to issue an Invitation for Bids. Second, the Board of Supervisors was required, by resolution, to approve the award of the actual parking operator agreement. According to Mr. Szeto, this two-part process for obtaining approval of an award by the Board of Supervisors generally took six months. The amended ordinance allowed DPT to utilize a Bid/RFP process and no longer required that (1) the Board of Supervisors approve bid documents related to the award of such contracts, and (2) the contract be awarded to the highest most responsive and responsible bidder in the case of a parking operator lease (percentage of gross payable to the City is the bid) or the lowest most responsive and responsible bidder in the case of a parking operator management agreement (management fee charged by the parking operator is the bid). Mr. Szeto advises that utilization of the Bid/RFP process has to date not resulted in an expedited contracting process.

5. Pages 13 and 14 of Attachment I contain a comparison of the fiscal performance of the Golden Gateway Garage, the Performing Arts Garage, the 5th and Mission Garage, the Ellis-O'Farrell Garage, the North Beach and Vallejo Street Garages, the Polk-Bush Garage, and the Moscone Center Garage.

6. Page 15 Attachment I contains a list of the pros and cons of the Bid/RFP process for professional garage management services, as determined by DPT.

7. According to Mr. Robert Bryan of the City Attorney's Office, if the Board of Supervisors were to disapprove the proposed ordinance, DPT would only be authorized to award parking operator agreements through competitive processes in the City's Administrative Code that apply generally to other City contracts.

8. According to Mr. Szeto, the formal bidding process previously identified in Administrative Code Section 17.11(a) requires that parking operator awards be made solely on the basis of the amount of the bids submitted by parking operators, after specific qualifications established by the DPT were met. However, Mr. Szeto states that through the use of a Bid/RFP process, the DPT receives additional information from potential operators as to the quality of service and the management proposed to be provided.

The Budget Analyst notes that nothing precludes the DPT from obtaining such additional information under the previously required formal competitive bidding procedures.

9. Mr. Szeto has not provided the Budget Analyst with any documentation concerning: (a) why the identical information provided by the DPT under the Bid/RFP process could not be provided under the formal competitive bidding process; and, (b) that it is more beneficial for the City to permit DPT to waive the formal competitive bidding process previously described in Section 17.11(a) of the Administrative Code.

10. The Budget Analyst notes that all of the advantages of a Bid/RFP process can be accomplished under a formal competitive bidding process by having the DPT require that the identical information from each prospective bidder, now obtained under the Bid/RFP process, be obtained under the formal competitive bidding process.

11. The Budget Analyst further notes that all of the advantages which the DPT states are gained by utilizing a Bid/RFP process and by not utilizing a formal competitive bidding procedure can be obtained by utilizing a formal competitive bidding procedure since under the City's formal competitive bidding procedures, the DPT is <u>not</u> required to accept the lowest bid but rather to accept the lowest <u>qualified</u> <u>responsive</u> <u>and</u> <u>responsible</u> bid.

12. In the professional judgement of the Budget Analyst, the only way to determine if the Bid/RFP selection process is better than the formal competitive bidding process is with documented performance measures and performance objectives to be achieved by the parking garage operators. As of the writing of this report, the DPT did not have such information. According to Mr. Szeto, the DPT intends to submit a list of performance measures and performance objectives at the July 31, 2002 Finance Committee meeting.

13. If the Finance Committee wishes to direct the Budget Analyst to conduct an evaluation of the forthcoming performance measures and performance objectives, then the Budget Analyst recommends that the proposed ordinance be continued to the Call of the Chair.

Recommendation: Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City and County of San Francisco

SAN FRANCISCO DPT DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: July 9, 2002

TO: The Honorable Members
Finance Committee
Board of Supervisors

FROM: Ronald Szeto RS
Acting Director
Parking Authority
Department of Parking and Traffic

SUBJECT: **Amending Section 17.11(a) of the San Francisco Administrative Code, Reauthorizing the Department of Parking and Traffic and the Parking Authority Commission to Utilize a Bid/RFP Process Until June 1, 2007**

Background:

On April 26, 1999, the Board of Supervisors adopted Ordinance Number 104-99, File Number 981935 amending Administrative Code Section 17.11(a). The amendment shortened the garage management agreement bid process by removing the requirement to obtain Board of Supervisors approval by ordinance before advertising bid (or Bid/RFP) documents.

The amendment also authorized the Parking and Traffic Commission and the Parking Authority Commission to solicit professional parking operators with a Bid/RFP process instead of the competitive bid process when the Commission determines that the Bid/RFP process is in the best interest of the City. This authorization to utilize the Bid/RFP process expired on December 1, 2000. On January 16, 2001, the Board of Supervisors adopted Ordinance No. 3-01, File No. 001798, extending the authorization to utilize the Bid/RFP process until June 1, 2002.

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Pursuant to the authorization to utilize a Bid/RFP process, the Parking Authority is required to report back to the Board of Supervisors on the Parking Authority's findings as related to the effectiveness of the Bid/RFP process, and make a recommendation to remove, extend or permanently retain the authorization to use a Bid/RFP process.

Since the January 16, 2001 Bid/RFP utilization authorization, we have conducted:

a) One competitive bid (the North Beach and Vallejo Street Garages joint management agreement)
b) One Bid/RFP with a management fee that covers operating expenses (the Performing Arts Garage)
c) One Bid/RFP with an annual budget that covers operating expenses (the Golden Gateway Garage), and
d) Two assignments (the Moscone Center Garage and the Polk-Bush Garage).

Additionally, two not-for-profit parking corporations successfully conducted Bid/RFPs with an annual budget covering operating expenses (the Fifth and Mission Garage and the Ellis-O'Farrell Garage). Lastly, we are currently evaluating Bid/RFP proposals received for the joint management agreement for the St. Mary's Square and the 16th & Hoff Garages.

<u>Objective</u>

The purpose of this report is to provide information and analysis of the Bid or Bid/RFP processes conducted since December 1, 2001. The objective of utilizing the Bid/RFP process is to enable selection of parking firms that will provide the greatest benefit to the City at a reasonable cost. When speaking of parking garages, the Department of Parking and Traffic defines "the best interest of the City" as the net benefits to the City and County governance, the garage patrons, and the neighboring residents, businesses and institutions. As opposed a to private business venture, success it not determined solely by the "bottom line". Rather, in government, we must go a step further and give meaningful consideration to the broad range of benefits to our City's various communities, in addition to the "bottom line".

<u>Findings</u>

There are advantages and disadvantages for both the "straight bid" (low bid) and Bid/RFP processes (see attachment *Pros and Cons*). While the short-term effects of the Bid/RFP have thus far demonstrated positive results, we are requesting extension of the authorization to use a Bid/RFP process until June 1, 2007 to evaluate the long-term effects. Each management agreement awarded or assigned during the first extension period, ending June 1, 2002, is discussed in detail below. Also provided are the attachments for the *Garages' Performance Results, and the Management Agreement Schedule and Selection Process*. After this proposed extension period, ending June 1, 2007, we should have sufficient data to fully determine the degree of success of the Bid/RFP process and its

effectiveness in achieving desired end results that are truly "in the best interest of the City."

Performing Arts Garage (Bid/RFP)
The Performing Arts Garage was the first Parking Authority garage management agreement awarded via the Bid/RFP process. Under the terms of this Bid/RFP, proposing parking firms were required to submit proposals which included profit and operating expenses included with their proposed management fees (bids). Upon completion of analysis and grading by the review panel, the management agreement was awarded to the highest-ranking firm. This firm's proposed management fee was the second lowest among all bidders. This bid was $926.93 per month higher than the overall lowest bid and $5,431.65 per month less than the bid received from the third-ranked firm.

Beneficial Observations

- We noticed a smooth transition during changeover of management period.
- On-site management team, management approach and marketing efforts are according to the Bid/RFP submittals and the short-term results are positive; services and revenues are met or exceeded.
- Staff has confidence in the parking firm.
- Staff is spending time to increase services and revenues instead of spending time with contract compliance issues.
- Implemented valet parking during special events to accommodate more patrons.
- Implemented a new special event exiting procedure to greatly reduce the exiting times.
- Average monthly transient volume has increase by 1,394 or 12.4 % in the first 15 months of operation compared to the 12-month period prior to the commencement of the new management agreement.
- Average monthly gross revenues have increased by $14,574 or 11.9 % in the first 15 months of operation compared to the 12-month period prior to the commencement of the new management agreement.
- Average monthly net revenues to the City have increased by $1,932 or 2.8 % in the first 15 months of operation compared to the 12-month period prior to the commencement of the new management agreement.
- Average monthly parking tax collected have increased by $3,173 or 13.3 % in the first 15 months of operation compared to the 12-month period prior to the commencement of the new management agreement.

Non-Beneficial Observations

- Entire Bid/RFP process took more effort and more time to complete.
- Did not receive the lowest bid. The Parking Authority pays $926.93 more each month compared to the lowest bid.
- The highest-ranking firm could have bid a mathematical maximum of $26,222.49 per month ($219.64 per month greater that their actual bid and $1,146.57 per month

- greater than the lowest bid) and still would have been awarded the management agreement.

Summary
The short-term evaluation indicates that we have achieved our objective by awarding the management agreement to a firm that increased accommodations and quality of services to our patrons, provided greater benefits to the City and generated more revenues to the City (average increase of $5,105 in net revenues and parking taxes per month) despite the downturn of the economy and a substantial increase in salaries and benefits.

Golden Gateway Garage (Bid/RFP with operating expense reimbursements)
The Golden Gateway Garage was the first City garage management agreement awarded through a Bid/RFP process. Initially, we required the parking firms to submit management fees (bids) that included profits and operating costs together with their proposals. However, upon receipt of the proposals, we were not convinced nor assured that the highest-ranking firm would be capable of sustaining the quality of services specified in the management agreement. We were also unwilling to recommend award of the management agreement to the firm with the next highest score because it would have cost the City approximately $250,000 more per year.

The Parking and Traffic Commission subsequently rejected all proposals and approved Bid/RFP documents that incorporated reimbursements for operating expenditures. We feel that this combination of Bid/RFP and reimbursements yielded the best short-term process for complex operations. First, the Bid/RFP criteria ensures that the firms submit low management fees (bids) and that the firms are adequately prepared for managing the garage according to our specifications. Secondly, the reimbursement approach ensures that the successful parking firm would have sufficient funds to provide the specified services. Thirdly, the parking firms can submit aggressive management fees (bids) without compromising services because the fees reflect only overhead and profits.

Beneficial Observations
- We noticed a smooth transition during changeover of management period. Please note that the out-going firm is also a joint venture partner of the new management team.
- Services are never compromised due to aggressive bids (management fees) anymore because funding for the services are reviewed, approved and reimbursed by the City and not by the parking firm from their management fee.
- On-site management team, management approach and marketing efforts are according to Bid/RFP submittals and the short-term results are positive; services and revenues are expected.
- Staff is confident of the parking firm.
- Saved staff time with fewer (none to date) management agreement compliance issues.

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- Average monthly net revenues to the City have increased by $18,062 or 6.1 % in the first 4 months of operation compared to the same period of the prior year by increasing the monthly parking volume by 64.5% and controlling expenses.

Non-Beneficial Observations
- Entire Bid/RFP process took more effort and more time to complete.
- Staff time required for review and approve expenditures.
- The form of the monthly report took longer than expected to complete.
- Did not award the management agreement to the lowest bidder, costing the City $1.00 per month more. Under this Bid/RFP process, the highest-ranking firm could have charged the City $999 per month more and would have still ranked first.
- Average monthly gross revenues have decreased by $1,992 or 0.4 % in the first 4 months of operation compared to the same period of the prior year.
- Transient volume has decrease by 14,114 or 15.1%

Summary
The short-term evaluation indicates that we have achieved our objective. The quality of service, the management team, management approach, and marketing strategies have been the bright spots of this management agreement. For the first four months of the management agreement, the strong management team generated over $72,000 more in total net revenues to the City then in the same period in the prior year despite the economic downturn. Financial success was achieved through higher monthly parking accommodations from nearby hotel demand that offset the decline in transient patrons. Moreover, the management team successfully controlled operating expenses despite labor agreement mandated salary and benefit increases.

North Beach Garage and Vallejo Street Garage (low bid)
We used a low bid process for the award of the management agreement for management of these two garages because the operation was fairly straightforward for both garages; one lane in and one lane out. The lowest bidder withdrew their bid.

Beneficial Observations
- Combining two garages, in close proximity, into one management agreement to save on a number of duplicate labor and overhead expenses.
- We noticed a smooth transition during changeover of management period.
- On-site management team is strong and the short-term results are positive.
- Average monthly gross revenue has increased by $36,172 or 36.4% for the first 5 months of operation compared to the same period of the prior year.
- Average monthly parking tax collected has increased by $7,350 or 37.2% for the first 5 months of operation compared to the same period of the prior year.
- Average monthly net revenue to the City has increased by $21,007 or 67.4% for the first 5 months of operation compared to the same period of the prior year.

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- Transient vehicle accommodation has increased by 8,411 or 51.6% for the first 5 months of operation compared to the same period of the prior year.
- Staff spent less time during the bidding process.
- Staff spends minimal time on operating expenses.
- Staff is confident of the parking firm.

Non-Beneficial Observations
- Taking more time to implement a marketing strategy as compared to a Bid/RFP management agreement.
- Staff spends more time planning and reviewing the management approach that would have otherwise been submitted under the Bid/RFP process.
- Under this straight bid process, the successful parking firm could have charged the City $1,126.12 more each month and would have still been awarded the contract.

Summary
The short-term evaluation indicates that we have achieved our objective by awarding the management agreement to a firm that increased accommodations and quality of services to our patrons, provided greater benefits to the City and generated more revenues to the City (average increase of $28,357 in net revenues and parking taxes per month) despite the downturn of the economy and a substantial increase in salaries and benefits.

Moscone Center Garage (assignment)
The Parking Authority Commission assigned the management agreement to the joint venture of GEM Parking and Professional Parking System (both HRC certified firms). The assignment was conducted because: a) the operator requested to be released from the management agreement, and, b) the assignment would allow staff to prepare bid documents while still keeping the garage operating. We may use a straight bid process for this garage in the future because the operation is fairly straightforward.

Beneficial Observations
- Efficient re-assignment of the management agreement.
- Have new joint venture parking firms in the interim basis.
- Increased monthly parking accommodation by 270 patrons or 7.1% (12-month comparison ending June) to generate as much revenue as possible during this economic downturn.

Non-Beneficial Observations
- Average monthly gross revenue has decreased by $16,898 or 8.0 % for the first 12 months of operation compared to the same period of the prior year.
- Average monthly parking tax collected has decreased by $3,212 or 7.7 % for the first 12 months of operation compared to the same period of the prior year.
- Average monthly net revenue to the City has decreased by $13,404 or 11.2 % for the first 12 months of operation compared to the same period of the prior year.

Summary
Although the performance of the Garage has been greatly affected by the economic downturn, the joint venture parking firms have done a reasonable job in generating revenues when possible. Also, the assignment allowed staff to concentrate on other management agreements during the interim period.

Polk-Bush Garage (assignment)
The Parking Authority Commission assigned the management agreement to one of the principals (NM Parking-HRC certified) of the second lowest bidder for the prior bid solicitation. The assignment was conducted because: a) the original operator requested termination of its management agreement due to debarment by the Airport Commission, and, b) the assignment would allow staff to prepare bid documents while still keeping the garage operating. We are planning to use a straight bid process for this Garage when the assignment terminates on the date the original contract terminates.

Beneficial Observations
- Re-assignment of the management agreement.
- Have new parking firm in the interim basis.
- Accommodations and revenues to the City are the same levels as the prior year for the first 10 months of operation despite the economic downturn.

Non-Beneficial Observations
- None to date.

Summary
In the first 10 months of operation, the parking firm has sustained prior year performances whereas many other businesses have been greatly affected by the economic downturn. Additionally, the assignment allowed staff to concentrate on other management agreements during the interim period.

Fifth and Mission Garage (Bid/RFP with operating expense reimbursements)
The City of San Francisco Downtown Parking Corporation was the first not-for-profit parking corporation to award a management agreement via a formal bid process of any kind in the last 30-40 years.

The Parking Corporation awarded the Fifth and Mission Garage management agreement with operating expense reimbursements via a Bid/RFP process. As mentioned in the Golden Gateway section of this report, we feel that the combination of Bid/RFP and reimbursements yielded the best short-term process for complex operations. First, the Bid/RFP criterion ensures that the firm is adequately prepared for managing the garage according to our specifications. Secondly, the reimbursement approach ensures that the successful parking firm would have sufficient funds to provide the specified services. Thirdly, the parking firms can submit aggressive management fees (bids) without compromising services because the fees reflect only overhead and profits.

Beneficial Observations

- We noticed a smooth transition during changeover of management period.
- Services are never compromised due to aggressive bids (management fees) because funding for the services are reviewed, approved and reimbursed by the Corporation and the City, and not by the parking firm from their management fee.
- On-site management team, management approach and marketing efforts are according to Bid/RFP submittals.
- Staff is confident of the parking firm.
- Saved staff time with fewer contract compliance issues.
- Net revenue to the City has increased by over $1.5 million or 26.9 % in the first 12 months of operation compared to the same period of the prior year. Please note that this increase in net revenues is realized because of the elimination of the gross receipt tax and not an increase in parking revenues.

Non-Beneficial Observations

- Did not award the management agreement to the lowest bidder, costing the Corporation $2,166.66 more each month.
- Entire Bid/RFP process took more effort and more time to complete.
- Staff and Corporation time required to review and/or approval expenditures.
- Average monthly gross revenues have decreased by $92,057 or 7.2 % in the first 12 months of operation compared to the same period of the prior year.
- Average monthly parking tax collected have decreased by $20,115 or 8.4 % in the first 12 months of operation compared to the same period of the prior year.
- Average monthly transient volume has decreased by 8,805 or 5.4 % in the first 12 months of operation compared to the same period of the prior year.
- Monthly parking volume has decreases.

Summary

The short-term evaluation indicates that we have not achieved our objective to the fullest. The quality of service, the management team, management approach and marketing strategies have been the bright spots of this management agreement during the economic downturn. Despite these best efforts of the parking firm, the revenues for this facility do reflect the downturn of the economy, unlike many of the previously mentioned garages. However, at this time, we do not have any data indicating the decrease in revenues are attributable to the process used to award the management agreement. Further, it is more likely attributable to the garage's South of Market location and the precipitous decline in technology and trade show activity in the vicinity of the garage. The long-term study should further reveal the strengths and weaknesses of the parking firm and the Bid/RFP process.

Ellis-O'Farrell Garage (Bid/RFP with operating expense reimbursements). The City of San Francisco Ellis-O'Farrell Parking Corporation was the second not-for-profit parking corporation to successfully award a management agreement via a formal Bid/RFP process.

The City of San Francisco Ellis-O'Farrell Parking Corporation awarded the Ellis-O'Farrell Garage management agreement with operating expense reimbursements via a Bid/RFP process. As mentioned above, we feel that the combination of Bid/RFP and reimbursements yields the best short-term process for complex operations. First, the Bid/RFP criteria ensure that the firm is adequately prepared for managing the garage according to our specifications prior to the award of the contract. The successful parking firm conducted employee evaluations and transition meetings prior to managing the Garage. Secondly, the reimbursement approach ensures that the successful parking firm would have sufficient funds to provide the specified services. Under this contract, the parking firm is able to reduce operating cost by claiming all valet related damages through their own insurance and by reconfiguring the roof top spaces for self parking. Thirdly, the parking firms can submit aggressive management fees (bids) without compromising services because the fees reflect only overhead and profits. Finally, the highest-ranked firm also submitted the lowest management fees.

Beneficial Observations

- Awarded the management agreement to the highest-ranking firm that also submitted the lowest bid.
- We noticed an excellent transition during the changeover (of parking firms) period.
- Services are not compromised due to aggressive bids (management fees) because funding for the services are reviewed, approved and reimbursed by the Corporation and the City, and not by the parking firm from their management fee.
- Received the lowest bid.
- On-site management team, management approach and marketing efforts have met or exceeded efforts as written in the Bid/RFP submittals.
- Staff is confident of the parking firm.
- Saved staff time with fewer contract compliance issues.
- Parking revenues, parking taxes, net revenues, transient volume and monthly parking volume have all increased in the first two months of operation compared to the same period of the prior year. Total net revenue to the City increased by $24,845 or 29.3 %.

Non-Beneficial Observations

- Entire Bid/RFP process took more effort and more time to complete.
- Staff and Corporation time required to review and/or approval expenditures.
- Under this Bid/RFP process, the highest-ranking firm could have charged the Corporation $1,416.66 more each month and would have still ranked first.

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July 9, 2002

Summary
The short-term evaluation indicates that we have achieved our objective to the fullest. The Corporation received the lowest bid and quality service. The management team, the management approach and the marketing strategies have been excellent while revenues have increased. The long-term study should reveal the strengths and weaknesses of the parking firm and the Bid/RFP process.

Conclusion

Analysis of the short-term results indicates that the objectives of the Bid/RFP process have been achieved. The proposal process has enabled us to select parking firms that are the most appropriate for specific garages. This has been achieved by the evaluation of specific garage management and operational skills uniquely crucial to the operation each individual facility. In other words, the Bid/Process has allowed the Department to select parking firms that have the highest chance to attain the greatest degree of success.

Success is measured by fulfillment of our definition of "the best interest of the City" as the net benefits to the City and County Governance, the garage patrons, and the neighboring residents, businesses and institutions."

As shown in the attachment *Bid & Bid/RFP Performance Comparisons*, the fiscal performance thus far of the two Bid/RFP management agreements has been positive despite the downturn of the economy and rising labor expenses. The quality of service and the physical condition of the facilities have also been exceptional.

Similarly, one of two management agreements awarded via straight bid has also demonstrated positive net revenues while simultaneously increasing parking accommodations.

The two Bid/RFPs that were conducted by the not-for-profit parking corporations have experienced mixed fiscal results thus far. The downtown location of these two garages and their natural economic ties to the downtown economy likely plays a significant role in these revenue results. Both corporations, however, selected the highest-ranking firm with a strong management team and management approach that is conducive to a high level of customer service.

Although the two management assignments were authorized solely due to withdrawl of the original parking firm, one garage has shown strong resilience to the economic downturn.

In conclusion, the overall short-term benefits derived from the parking firms selected by the Bid/RFP process were realized either in terms of revenue growth, customer service enhancement, or both. Beyond solely empirical results, we feel confident that the parking firms selected through a Bid/RFP process are composed of strong management teams

capable of maximizing revenues and providing the highest quality services to our residents, merchants and visitors. The Bid/RFP process has enabled the City to acquire such quality, qualified firms at minimal or no extra cost to the City.

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DEPARTMENT OF PARKING AND TRAFFIC

Anticipated Management Agreement Schedule and Proposed Selection Process

	Existing Agreement Status				Proposed Process			
	Garage	Current Operator	Expiration Date	Status	Bid/RFP	Bid	Status	Fiscal Arrangement
Direct Operator Agreements	Golden Gateway	Five Star / Elite Parking	October 2006	Current	X		Completed	Flat profit and reimbursed expenses
	Performing Arts	DAJA, Inc.	March 2006	Current	X		Completed	Flat fee covers profit & expenses
	North Beach	Pacific Park Management	December 2004	Current		X	Completed	Flat fee covers profit & expenses
	Vallejo Street	Pacific Park Management	December 2004	Current				
	Polk Bush	NM Parking	March 2004	Current		X	Anticipated for Mar. 04	Flat fee covers profit & expenses
	SF General Hospital	Pacific Park Management	June 2003	Current	X		Anticipated for June 03	Flat fee covers profit & expenses
	St. Mary's Square	PCI / DAJA, Inc.	September 2002	Current	X		Evaluating Proposals	Flat profit and reimbursed expenses
	Hoff Street	PCI / DAJA, Inc.	September 2002	Current		X	Evaluating Proposals	Flat fee covers profit & expenses
	Lombard Street	Pacific Park Management	April 2001	Month to Month		X	Anticipated for Jan. 03	Flat fee covers profit & expenses
	Moscone Center	GEM / PPS	February 2000	Month to Month		X	Preparing Documents	% of Gross covers profit & expenses
	1660 Mission	Convenient Park	March 1999	Month to Month		X	Anticipated for June 03	Flat fee covers profit & expenses
	Civic Center	Ampco System Parking	August 1997	Month to Month	X		Preparing Documents	Flat profit and reimbursed expenses
	*Mission Bartlett	S&F / MEDA	September 1996	Month to Month	X	X	Anticipated for Jan. 03	Flat fee covers profit & expenses
Not for Profit Corporation Garages	Ellis O'Farrell	Parking Concepts, Inc.	April 2007	Current	X		Completed	Flat profit and reimbursed expenses
	Fifth & Mission	Ampco System Parking	May 2006	Current	X		Completed	Flat profit and reimbursed expenses
	Union Square	City Park Management	March 2001	Month to Month	X		Preparing Documents	Flat profit and reimbursed expenses
	Japan Center	Ampco System Parking	N/A	Month to Month	X		Preparing Documents	Flat profit and reimbursed expenses
	Portsmouth Square	City Park Management	N/A	Month to Month	X		Preparing Documents	Flat profit and reimbursed expenses
	Sutter Stockton	Ampco System Parking	N/A	Month to Month	X		Preparing Documents	Flat profit and reimbursed expenses

*This garage may lend itself most favorably to either a Bid or Bid/RFP process

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Bid & Bid/RFP
Performance Comparisons

Garage	Gross Revenue	Parking Tax	Net Income	Transient Vehicles	Monthly Vehicles
Golden Gateway - 4 months					
Five Star / Elite Parking					
March 2001 to June 2001	2,027,794	370,523	1,180,267	93,320	2007
March 2002 to June 2002	2,019,825	337,533	1,252,513	79,206	3301
Increase/Decrease	(7,969)	(32,990)	72,246	(14,114)	1,294
Percentage Inc/Dec	-0.39%	-8.90%	6.12%	-15.12%	64.47%
4 month ave. 3/01 to 6/01	506,948.50	92,630.75	295,066.75	23,330.00	501.75
4 month ave. 3/02 to 6/02	504,956.25	84,383.25	313,128.25	19,801.50	825.25
Increase/Decrease	(1,992)	(8,248)	18,062	(3,529)	324
Performing Arts - 12 months					
DAJA, Inc.					
April 2000 to March 2001	1,463,120	286,194	826,918	135,085	3914
April 2001 to March 2002	1,616,653	320,022	820,957	147,981	3681
Increase/Decrease	153,533	33,828	(5,961)	12,896	(233)
Percentage Inc/Dec	10.49%	11.82%	-0.72%	9.55%	-5.95%
12 month ave. 4/00 to 3/01	121,927	23,850	68,910	11,257	326
15 month ave. 4/01 to 6/02	136,501	27,022	70,842	12,651	295
Increase/Decrease	14,574	3,172	1,932	1,394	(31)
Percentage Inc/Dec	11.95%	13.30%	2.80%	12.38%	-9.51%
Fifth & Mission - 12 months					
Ampco System Parking					
June 2000 to May 2001	15,440,521	2,874,124	5,908,921	1,941,509	8920
June 2001 to May 2002	14,335,838	2,632,744	7,500,527	1,835,844	8514
Increase/Decrease	(1,104,683)	(241,380)	1,591,606	(105,665)	(406)
Percentage Inc/Dec	-7.15%	-8.40%	26.94%	-5.44%	-4.55%
12 month ave. 6/00 to 5/01	1,286,710	239,510	492,410	161,792	743
12 month ave. 6/01 to 5/02	1,194,653	219,395	625,044	152,987	710
Increase/Decrease	(92,057)	(20,115)	132,634	(8,805)	(34)

Garage	Gross Revenue	Parking Tax	Net Income	Transient Vehicles	Monthly Vehicles
Ellis O'Farrell - 2 months					
Parking Concepts, Inc.					
May 2001 to June 2001	774,432	135,586	84,726	134,201	344
May 2002 to June 2002	757,969	137,810	109,571	137,974	372
Increase/Decrease	(16,463)	2,224	24,845	3,773	28
Percentage Inc/Dec	-2.13%	1.64%	29.32%	2.81%	8.14%
2 month ave. 5/01 to 6/01	387,216	67,793	42,363	67,101	172
2 month ave. 5/02 to 6/02	378,985	68,905	54,786	68,987	186
Increase/Decrease	(8,232)	1,112	12,423	1,887	14
North Beach & Vallejo - 5 months					
NB					
February 2001 to June 2001	N/A	N/A	N/A	N/A	N/A
February 2002 to June 2002	332,815	66,634	138,847	60,627	86
Vallejo					
February 2001 to June 2001	497,168	98,934	155,939	81,475	212
February 2002 to June 2002	345,213	69,050	122,129	62,904	88
Total					
February 2001 to June 2001	497,168	98,934	155,939	81,475	212
February 2002 to June 2002	678,028	135,684	260,976	123,531	174
Increase/Decrease	180,860	36,750	105,037	42,056	(38)
Percentage Inc/Dec	36.38%	37.15%	67.36%	51.62%	-17.92%
5 month ave. 2/01 to 6/01	99,434	19,787	31,188	16,295	42
5 month ave. 2/02 to 6/02	135,606	27,137	52,195	24,706	35
Increase/Decrease	36,172	7,350	21,007	8,411	(8)
Polk Bush - 10 months					
September 2000 to June 2001	314,483	62,443	82,781	48,179	851
September 2001 to June 2002	318,466	63,390	77,757	47,813	838
Increase/Decrease	3,983	947	(5,024)	(366)	(13)
Percentage Inc/Dec	1.27%	1.52%	-6.07%	-0.76%	-1.53%
10 month ave. 9/00 to 6/01	31,448	6,244	8,278	4,818	85
10 month ave. 9/01 to 6/02	31,847	6,339	7,776	4,781	84
Increase/Decrease	398	95	(502)	(37)	(1)
Moscone Center - 12 months					
July 2000 to June 2001	2,537,357	502,291	1,442,221	199,530	3,792
July 2001 to June 2002	2,334,582	463,749	1,281,379	182,756	4,062
Increase/Decrease	(202,775)	(38,542)	(160,842)	(16,774)	270
Percentage Inc/Dec	-7.99%	-7.67%	-11.15%	-8.41%	7.12%
12 month ave. 7/00 to 6/01	211,446	41,858	120,185	16,628	316
12 month ave. 7/01 to 6/02	194,549	38,646	106,782	15,230	339
Increase/Decrease	(16,898)	(3,212)	(13,404)	(1,398)	23

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Attachment I

Bid/Request for Proposal (RFP)
For Professional Garage Management Services
Pros and Cons

Pros

1. The Bid/RFP process provides the City with the best services at the most reasonable cost.
2. The Bid/RFP process restricts aggressive bidding (low bids that possibly will require the operator to reduce services to maintain profitability over the term of the contract).
3. The Bid/RFP process requires proposers to thoroughly evaluate the garage characteristics, needs and potentials before submitting proposals. In the past, some bidders would submit a bid amount hoping their bid would be the lowest without understanding the requirements of the management agreement or the true operational needs of the subject garage and the surrounding community.
4. When the Bid/RFP process is conducted with a budgetary Management Agreement, the management arrangement is the most beneficial to the City because "Low Ball" bids are eliminated while services to the City and communities are retained.

Cons

1. The Bid/RFP process takes more time for staff to prepare documents and conduct evaluations.
2. Staff undergoes more scrutiny and there is a higher potential for bid challenges.
3. There is a potential for staff influences on the final outcome.
4. When the budgetary management agreement is used, it takes additional staff time to monitor operating expenses as approved in the annual budget.
5. The Bid/RFP process take longer to complete due to document preparation and evaluation processes.
6. City does not always get the lowest bid.

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GOLDEN GATEWAY GARAGE BID/RFP QUESTIONS 9/28/01

Selection Criteria

The submittals will be evaluated by a selection committee. The City intends to evaluate the submittals generally in accordance with the criteria itemized below. The City may inspect a parking facility operated by each proposer as part of the evaluation process on an unannounced basis.

1. **Management Approach** (30 points)

   Submit a narrative description of the services and activities that your firm proposes to provide to the City, including an implementation plan for said services and activities, to optimize the overall garage performance and service.

2. **Assigned Management Staff** (25 points total)

   a. Submit qualifications and experience of on-site manager and supervisors and availability of extra staff for additional services on an "as needed" basis. Provide written assurance that such key personnel will not be transferred in or out of the Garage without the prior approval of the Parking Authority staff. (15 points)

   b. Describe accomplishments of the on-site manager which contributed to the success of previously managed parking facilities. (10 points)

3. **Experience of Firm and Sub-contractors** (10 points total)

   Provide examples of Proposer's experience in utilizing sub-contractors to perform services and/or complete capital improvement projects at previously managed parking facilities. In addition, state any benefits derived from such services and/or capital projects on the overall parking facility performance and service. List the Proposer's subcontractors that will perform services and/or complete capital improvements during the term of the Management Agreement.

4. **Budgets and Cost Containment Measures** (15 points)

   Provide a pro forma annual budget for the first twelve-month period of operation, including all projected costs and expenses in the format attached hereto as Exhibit H. Provide detailed written explanations of the

costs for each budget item. In addition, include a description of projected annual adjustments of the budget (on a line item basis) over each of the five succeeding twelve-month periods. Finally, describe measures that will be taken to control and contain costs and expenses while not compromising the level of service.

5. Maintenance Plan (15 points)

Provide a detailed plan for maintaining the cleanliness and safety of the Garage. Proposers must describe proposed janitorial staffing and should pay careful attention to Exhibits E, F and G when preparing their Maintenance Plan. Equipment recommendations and requirements should also be provided.

6. Marketing Plan (5 points)

Provide a detailed plan for the marketing of the Garage, including enhancement of the Garage's public image, advertising, area merchant coordination and examples of any successful marketing plan utilized by Proposer at other comparable parking facilities.

7. Management Fee Bid (150 points total)

a. Management Fee.
(150 points)

The City intends to award this contract to the firm that it considers will provide the best overall management services, at a reasonable cost, for operation of the Garage. The City reserves the right to accept other than the lowest priced proposal and to reject any and all submittals that are not responsive to this request.

Please provide a fee proposal that includes the following:

a. Total Management Fee as defined in the Management Agreement;

b. Recent experience of staff assigned to the project and a description of the tasks to be performed by each staff person;

b. Qualifications and education; and

c. Workload, staff availability and accessibility.

The amount of the management fee contained in the submittal is part of the selection criteria. Each management fee bid (the "Bid") will be evaluated under the following

formula for a maximum total of 150 points assigned to the Bid. For purposes of scoring, each Bid will be rounded to the next One Hundred Dollars ($100.00). The formula is:

> The lowest Bid(s) shall receive a maximum of 150 points and all other Bids will incur a 2-point deduction for each $100 above the lowest Bid(s).

PERFORMING ARTS GARAGE BID/RFP QUESTIONS 1/16/01

Selection Criteria

The submittals will be evaluated by a selection committee, including but not limited to individuals with expertise in parking management contracts. The City intends to evaluate the submittals generally in accordance with the criteria itemized below. The City may inspect a parking facility operated by the proposer as part of the evaluation process on an unannounced basis.

1. Management Approach (40 points)

   Submit a narrative description of the services and activities that your firm proposes to provide to the City, including an implementation plan for said services and activities, to optimize the overall garage performance and service.

2. Assigned Management Staff (40 points total)

   a. Submit qualifications and experience of on-site manager and supervisors and availability of extra staff for additional services on an "as needed" basis. Provide written assurance that such key personnel will not be transferred in or out of the Garage without the prior approval of the Parking Authority staff. (20 points)

   b. Describe accomplishments of the on-site manager which contributed to the success of previously managed parking facilities. (15 points)

   c. Describe staff reorganization necessary to optimize the overall garage performance and service. (5 points)

3. Experience of Firm and Sub-contractors (20 points total)

   a. Describe the experience of the Proposer's firm and sub-contractors in the fields necessary to complete required tasks such as parking management, maintenance/repair, janitorial services, security services and shuttle services. (10 points)

   b. Provide examples of Proposer's experience in utilizing sub-contractors to perform services and/or complete capital improvement projects at previously managed parking facilities. In addition, state any benefits derived from such services and/or capital projects on the overall

c. Experience with similar parking facilities. (10 points)

4. Management Fee Bid (150 points total)

a. Management Fee.
(150 points)

The City intends to award this contract to the firm that it considers will provide the best overall management services, at a reasonable cost, for operation of the Garage. The City reserves the right to accept other than the lowest priced proposal and to reject any and all submittals that are not responsive to this request.

Please provide a fee proposal that includes the following:

a. Total Management Fee as defined in the Management Agreement
b. Recent experience of staff assigned to the project and a description of the tasks to be performed by each staff person; and
c. Qualifications and education; and
d. Workload, staff availability and accessibility.

The amount of the management fee contained in the submittal is part of the selection criteria. Management fee bids (the"Bid") will be evaluated under the following formula for a total of 150 points assigned to the Bid. For example, the firm that provides a Bid of $10,000 receives all 150 points. The next lowest Bid of $12,000 receives a score of 125 points ($10,000 divided by $12,000, multiplied by 150 points).

Awarded Garages: Actual Bid Versus Mathematical Maximum Possible Bid* Comparison

Garage	Awarded to:	Monthly Bid	Maximum Possible Bid	Monthly Difference
Golden Gateway	Five Star/Elite Parking	$ 1.00	$ 1,000.00	$ 999.0
Performing Arts	DAJA Parking, Inc.	$ 26,002.85	$ 26,222.49	$ 219.6
5th & Mission	Ampco System Parking	$ 4,900.00	$ 4,900.00	$ -
Ellis O'Farrell	Parking Concepts, Inc.	$ 3,333.33	$ 4,750.00	$ 1,416.6
North Beach/Vallejo	Pacific Park Management	$ 37,762.76	$ 38,888.88	$ 1,126.1
Total		$ 71,999.94	$ 75,761.37	$ 3,761.4

Performing Arts and North Beach/Vallejo Street Garage monthly bid amounts are flat fees to cover profit and operating expenses.
Other monthly bid amounts represent profit only and budgeted operating expenses are reimbursed.

Golden Gateway (Bid/RFP)	Monthly Bid	Bid Points	Written Proposal Evaluation Points	HRC Ratings Discount	Total Score
DAJA, Inc. -actual bid	$ 0.00	150.00	59.40	10%	230.3
Five Star / Elite - actual bid	$ 1.00	150.00	84.10	7.5%	251.6
Five Star / Elite - with max. possible bid	$ 1,000.00	132.00	84.10	7.5%	232.3

Bid amount rounded to next $100 for purpose of scoring. 2 points deducted from 150 max. per $100 above lowest.

Performing Arts (Bid/RFP)	Monthly Bid	Bid Points	Written Proposal Evaluation Points	HRC Ratings Discount	Total Score
NM Parking - actual bid	$ 25,075.92	150.00	41.50	10%	210.
DAJA, Inc. - actual bid	$ 26,002.85	144.65	59.50	10%	224.
DAJA, Inc. - with max. possible bid	$ 26,222.49	143.44	59.50	10%	223.
Five Star / Elite - actual bid	$ 31,434.50	119.66	88.00	7.5%	223.

Lowest bid divided by next bid times 150 max. points.

Fifth & Mission (Bid/RFP)	Monthly Bid	Total Score
Imperial Parking - actual bid	$ 2,737.00	77.
Ampco System - actual bid	$ 4,900.00	91.
Ampco System - with max. possible bid	$ 4,900.00	91.
City Park Management - actual bid	$ 5,417.00	78.

Ellis O'Farrell (Bid/RFP)	Annual Bid	Bid Points	Written Proposal Evaluation Points	HRC Ratings Discount	Total Sc
Parking Concepts, Inc. - actual bid	$ 40,000.00	30.00	127.00	0%	157.
Parking Concepts, Inc. with max. possible bid	$ 57,000.00	13.00	127.00	0%	140.
Ampco System Parking - actual bid	$ 40,500.00	29.50	110.00	0%	139.

0.5 points deducted from 30 max. per $500 above lowest annual bid.

North Beach (Bid)	Monthly Bid	HRC Discount	Lowest Bid
Pacific Park Management - actual bid	$ 37,762.76	10%	$ 33,986.48
Pacific Park Management - with max. possible bid	$ 38,888.88	10%	$ 34,999.99
Professional Parking Systems - actual bid	$ 35,000.00	0	$ 35,000.00

*"Maximum possible bid" is the dollar amount the awarded contractor *could* have bid and still won award of the management agreement.

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